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CHAIRMAN
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MARC SPITZER
COMMISSIONER

OPEN MEETING ITEM
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BRIAN C. McNEIL
EXECUTIVE SECRETARY

ARIZONA CORPORATION COMMISSION A 10:15
2001 DEC 24AZ CORP COMMISSION
DOCUMENT CONTROL

DATE: December 24, 2001

DOCKET NO: W-02824A-01-0450

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Marc E. Stern.
The recommendation has been filed in the form of an Opinion and Order on:

ICR WATER USERS ASSOCIATION, INC.
(CC&N EXTENSION)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of
the Administrative Law Judge by filing an original and ten (10) copies of the exceptions with
the Commission's Docket Control at the address listed below by 4:00 p.m. on or before:

JANUARY 2, 2002

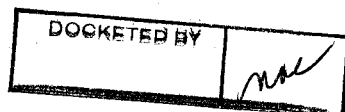
The enclosed is NOT an order of the Commission, but a recommendation of the
Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively
been scheduled for the Commission's Working Session and Open Meeting to be held on:

JANUARY 8 AND 9, 2002

For more information, you may contact Docket Control at (602)542-3477 or the Hearing
Division at (602)542-4250.

Arizona Corporation Commission
DOCKETED

DEC 24 2001



BRIAN C. McNEIL
EXECUTIVE SECRETARY

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 WILLIAM A. MUNDELL
CHAIRMAN

3 JIM IRVIN
COMMISSIONER

4 MARC SPITZER
COMMISSIONER

5
6 IN THE MATTER OF THE APPLICATION OF ICR
WATER USERS ASSOCIATION, INC. TO
7 EXTEND ITS CERTIFICATE OF CONVENIENCE
AND NECESSITY.

DOCKET NO. W-02824A-01-0450

DECISION NO. _____

8 **OPINION AND ORDER**

9 DATE OF HEARING: September 6, 2001

10 PLACE OF HEARING: Phoenix, Arizona

11 ADMINISTRATIVE LAW JUDGE: Marc E. Stern

12 APPEARANCES: Lewis and Roca, L.L.P., by Mr. Michael T. Hallam, on
behalf of ICR Water Users Association, Inc.;

13 Fennemore Craig, P.C., by Ms. Karen E. Errant, on
14 behalf of Intervenor Harvard Simon I, L.L.C.; and

15 Ms. Janice M. Alward, Assistant Chief Counsel, Legal
16 Division, on behalf of the Arizona Corporation Utilities
Division.

17 **BY THE COMMISSION:**

18 On June 1, 2001, ICR Water Users Association, Inc. ("ICR" or "Applicant") filed with the
19 Arizona Corporation Commission ("Commission") an application for an extension of its Certificate
20 of Convenience and Necessity ("Certificate") to provide public water utility service to various parts
21 of Yavapai County, Arizona.

22 On June 7, 2001, Harvard Simon I, L.L.C. ("Harvard") filed a Motion to Intervene
23 ("Motion"). There were no objections to the Motion.

24 On June 26, 2001, by Procedural Order, the above-captioned matter was scheduled for a
25 hearing on September 6, 2001 and Applicant was ordered to publish notice of the application and
26 hearing thereon. Intervention was also granted to Harvard.

27 On August 8, 2001, the Commission's Utilities Division ("Staff") filed its Staff Report in this
28 matter.

1 On September 6, 2001, a full public hearing was convened before a duly authorized
2 Administrative Law Judge of the Commission at its offices in Phoenix, Arizona. ICR, Harvard and
3 Staff appeared with counsel. At the conclusion of the hearing, the matter was taken under
4 advisement pending submission of a Recommended Opinion and Order to the Commission.

5 * * * * *

6 Having considered the entire record herein and being fully advised in the premises, the
7 Commission finds, concludes, and orders that:

8 **FINDINGS OF FACT**

9 1. Pursuant to authority granted by the Commission, ICR is engaged in providing water
10 service to approximately 85 residential customers approximately 12 miles northwest of Prescott,
11 Yavapai County, Arizona.

12 2. ICR's existing Certificate area contains approximately 300 residence sized lots.

13 3. ICR's existing plant includes 110,000 gallons of storage and is valued at \$250,000.

14 4. To serve its existing certificated area, since ICR does not own a well, it purchases all
15 of its water under the terms of a 100-year water purchase agreement for \$.15 per 1,000 gallons from
16 Pierce Properties, a nearby property owner located approximately 2 miles from ICR's certificated
17 service area.

18 5. On June 1, 2001, ICR filed an application for an extension of its existing Certificate in
19 order to provide water service to approximately 3,070 acres of land adjacent to its existing
20 certificated service area which is more fully described in Exhibit A attached hereto.

21 6. ICR has requested the above-described extension of its Certificate because it has
22 received a request from Harvard to provide water service to the area described in Exhibit A for a
23 planned development, Talking Rock Ranch ("Ranch"), a residential subdivision which will contain
24 approximately 1,500 residences when it is entirely built out.

25 7. The Ranch will also include common areas, a club house, swimming pool, fitness
26 center and an 18-hole golf course with storage lakes. Besides the extension area requested herein, the
27 Ranch also includes 400 acres already owned by Harvard in ICR's existing Certificate area.

28 8. In order to provide service to the extension area, ICR and Harvard have entered into a

1 Main Extension Agreement ("Agreement"). Pursuant to the Agreement, Harvard will construct all of
2 the required facilities¹ necessary to serve the Ranch and advance them to ICR which in turn will
3 refund to Harvard, over a period of 25 years, 15 percent of the revenues derived from the provision of
4 service to the extension area. However, refund payments will not start until five years after ICR first
5 provides service in the extension area.

6 9. Pursuant to the terms of the Agreement, the facilities will be constructed in conformity
7 with the rules of the Yavapai County Environmental Services Department and the Arizona
8 Department of Environmental Quality ("ADEQ").

9 10. In the event that any of the facilities are not located in the public rights of way,
10 Harvard will convey permanent easements and rights-of-way to ICR to allow for access to its
11 facilities in the future.

12 11. Any unpaid balance at the end of the 25-year term of the Agreement will become a
13 non-refundable contribution to ICR.

14 12. There are no other public water utilities in the area to provide water service to the area
15 sought to be certificated herein by ICR.

16 13. During the proceeding, Mr. Swayze McCraine, the president of ICR, testified that ICR
17 will comply with all conditions recommended by Staff in its report.

18 14. According to the Agreement, at build out, the facilities to be constructed in phases by
19 Harvard will be worth approximately \$15,160,578.

20 15. ICR has indicated that it will charge those customers in the expansion area its existing
21 rates and charges of \$20 per month for its base rate and \$2 per 1,000 gallons for water usage.

22 16. Under the terms of the Agreement, ICR consents to Harvard using water from its well
23 to provide its golf course and storage lakes within the Ranch subdivision with water. There is also a
24 provision within the Agreement which states that ICR agrees to provide water at the lawful tariff rate
25 to the golf course upon written request from Harvard in the future, consistent with the rules of the
26 Commission. However, the Agreement does not address the issue of priority of use in the event of a

27 _____
28 ¹ Although ICR's utility plant will increase greatly as a result of the Agreement, there is no provision for the transfer of
any wellsites, wells or related water production facilities.

1 water shortage.

2 17. A Harvard representative indicated that the plat for the Ranch's first phase has already
3 been approved and construction has commenced on the golf course.

4 18. According to Harvard's representative, the developer had a number of water
5 hydrology tests performed, which indicate that there is more than ample water available to ICR's
6 existing certificated service area and the extension area where the Ranch is located.

7 19. Under the Agreement, ICR covenants that it shall use its best efforts to ensure that the
8 plant advanced by Harvard will not be used to provide water to customers outside of the Ranch area
9 such that it will not adversely impact service to the Ranch area.

10 20. Harvard has drilled two test wells, one of which produces approximately 700 gallons
11 of water per minute. However, water production from it has been lowered to 525 gallons of water per
12 minute because the Ranch's demands at full build-out including the golf course and all residential
13 units are projected at 523 gallons of water per minute. Additionally, Harvard will utilize the second
14 well as a back-up emergency well and has the ability to add a third well, if needed.

15 21. Harvard's well-site is located slightly outside of the extension area on property owned
16 by Harvard.

17 22. Harvard does not wish to transfer its well-sites to ICR because, from a development
18 view point, since it will take more than a decade to build out the project, Harvard believes it is
19 important to retain ownership and control over its wells.

20 23. As the utility plant is constructed by Harvard for ICR and phased into service, ICR's
21 water storage capacity will increase by 600,000 gallons.

22 24. Staff is recommending approval of ICR's application herein.

23 25. Since ICR's certificated service area and the extension area are located outside of the
24 Prescott Active Management Area, Applicant will not be required to file a copy of the developer's
25 Certificate of an Assured Water Supply. Instead, Staff is recommending that ICR file a copy of a
26 certificate of adequate physical availability.

27 26. Staff believes that ICR's existing rates and charges will enable it to continue viable
28 operations because much of ICR's projected expenses with the expected expansion will be related to

1 non-cash depreciation expenses.

2 27. Applicant is in compliance with the rules of ADEQ and is providing water which does
3 not exceed any MCLs and meets the water quality standards of the Safe Drinking Water Act.

4 28. Applicant is current on the payment of its property and sales taxes.

5 29. Applicant will obtain a Yavapai County franchise for the extension area where it is
6 presently not certificated.

7 30. Staff is recommending approval of ICR's application herein subject to the following
8 conditions:

- 9
- 10 • that Applicant file, with the Director of the Commission's Utilities Division,
11 within 365 days of the effective date of this Decision, a copy of the developer's
12 certificate of physical availability which is to be issued by the Arizona Department
13 of Water Resources;
 - 14 • that ICR file, with the Director of the Commission's Utilities Division, within 365
15 days of the effective date of this Decision, a copy of the developer's Certificate of
16 Approval to Construct with the appropriate main extension agreement;
 - 17 • that Applicant file, with the Director of the Commission's Utilities Division,
18 within 365 days from the date of this Decision, a copy of its Yavapai County
19 franchise for the extension area where it is not presently certificated; and
 - 20 • that Applicant continue to charge its existing rates and charges in the extension
21 area.

22 31. Staff is further recommending that, in the event that ICR fails to meet the above
23 recommendations of Staff in a timely fashion, the approval granted hereinafter shall be null and void
24 without further Order by the Commission.

25 32. Staff is also recommending that Applicant file, within five years from the date of this
26 Decision, a rate application.

27 33. Under the circumstances herein, we believe that Staff's recommendations on balance
28 are reasonable and should be adopted.

34. However, we are concerned with the fact that ICR does not own or have its own water
production facilities and that the issue was not addressed adequately. We believe that, as an
additional condition for the extension of the Certificate herein, as part of the Agreement, Harvard

1 should include in its advance, the wells which it has drilled for the purpose of providing water to the
2 extension area described in Exhibit A to ensure that the utility has adequate water for its customers
3 and to ensure that they are not subject to relying for their water on a third party over which the
4 Commission lacks jurisdiction.

5 35. We believe that this additional condition can be met by amending the Agreement
6 between the parties and we shall require ICR to file a copy of the relevant documents transferring
7 ownership of the wells and related water production facilities to ICR within 365 days of the effective
8 date of this Decision or the approval granted herein shall be rendered null and void without further
9 Order by the Commission.

10 CONCLUSIONS OF LAW

11 1. Applicant is a public service corporation within the meaning of Article XV of the
12 Arizona Constitution and A.R.S. §§ 40-252, 40-281 and 40-282.

13 2. The Commission has jurisdiction over Applicant and of the subject matter of the
14 application.

15 3. Notice of ICR's application as described herein was given in the manner prescribed by
16 law.

17 4. The public convenience and necessity require and the public would benefit by the
18 extension of ICR's Certificate so that its certificated service area includes the area more fully
19 described in Exhibit A.

20 5. Applicant is a fit and proper entity to receive an amended Certificate which
21 encompasses the area more fully described in Exhibit A.

22 6. ICR's application for the extension of its Certificate should be approved as
23 recommended by Staff in Findings of Fact Nos. 30 and 31 and consistent with Findings of Fact Nos.
24 34 and 35 hereinabove.

25 ORDER

26 IT IS THEREFORE ORDERED that the application of ICR Water Users Association, Inc. for
27 an extension of its Certificate of Convenience and Necessity for the operation of water facilities in
28 the area more fully described in Exhibit A be, and is hereby approved, as conditioned herein.

1 IT IS FURTHER ORDERED that ICR Water Users Association, Inc. shall comply with all
2 conditions as described in Findings of Fact Nos. 30, 31, 34 and 35 and Conclusion of Law No. 6
3 hereinabove.

4 IT IS FURTHER ORDERED that the approval granted herein to ICR Water Users
5 Association, Inc. shall be conditioned upon ICR Water Users Association, Inc. complying with the
6 conditions as set forth in Findings of Fact Nos. 30, 31, 34 and 35 and Conclusion of Law No. 6
7 hereinabove or the approval granted herein shall be rendered null and void without further Order of
8 the Commission.

9 IT IS FURTHER ORDERED that ICR Water Users Association, Inc. shall file, within five
10 years from the date of this Decision, a rate application.

11 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

12 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

13
14
15 CHAIRMAN

COMMISSIONER

COMMISSIONER

16
17 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive
18 Secretary of the Arizona Corporation Commission, have
19 hereunto set my hand and caused the official seal of the
20 Commission to be affixed at the Capitol, in the City of Phoenix,
21 this ____ day of _____, 2002.

22 BRIAN C. McNEIL
EXECUTIVE SECRETARY

23 DISSENT _____

24 MES:mlj
25
26
27
28

1 SERVICE LIST FOR: ICR WATER USERS ASSOCIATION, INC.
2 DOCKET NO. W-02824A-01-0450
3
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22
23 Christopher Kempley, Chief Counsel
24 Legal Division
25 ARIZONA CORPORATION COMMISSION
26 1200 West Washington Street
27 Phoenix, Arizona 85007
28
Ernest G. Johnson, Director
Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

PARCEL I:

All of Sections 15 and 16, Township 16 North, Range 3 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona.

PARCEL II:

A portion of the Northeast quarter of Section 17, Township 16 North, Range 3 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

Beginning at the northeast corner of said Section 17, thence along the north line of said Section 17 South $89^{\circ}48'52''$ West, a distance of 1155.64 feet; thence along the east line of the old Prescott-Simmons Road as it existed on June 10, 1920, South $34^{\circ}48'23''$ East, a distance of 514.97 feet; thence South $89^{\circ}51'21''$ West, a distance of 527.42 feet to a point of cusp on a curve concave to the west having a radius of 567.99 feet and a central angle of $7^{\circ}13'38''$ and being subtended by a chord which bears South

$21^{\circ}01'55''$ East 71.60 feet; thence southeasterly and southerly along said curve, a distance of 71.65 feet; thence South $17^{\circ}24'21''$ East, a distance of 44.11 feet to the beginning of a curve tangent to said line; thence southerly and southwesterly a distance of 203.97 feet along the curve concave to the west, having a radius of 284.00 feet and a central angle of $41^{\circ}09'03''$; thence South $23^{\circ}44'43''$ West tangent to said curve, a distance of 80.13 feet to the beginning of a curve tangent to said line; thence southwesterly and southerly a distance of 87.20 feet along the curve concave to the east, having a radius of 366.00 feet and a central angle of $13^{\circ}39'05''$; thence South $10^{\circ}05'36''$ West tangent to said curve, a distance of 322.23 feet to the beginning of a curve tangent to said line; thence southerly a distance of 117.67 feet along the curve concave to the east, having a radius of 366.00 feet and a central angle of $18^{\circ}25'17''$; thence South $08^{\circ}19'41''$ East tangent to said curve, a distance of 107.97 feet to the beginning of a curve concave to the northeast having a radius of 566.00 feet and a central angle of $31^{\circ}32'23''$ and being subtended by a chord which bears South $24^{\circ}09'13''$ East 307.65 feet; thence southerly and southeasterly along said curve, a distance of 311.57 feet; thence South $39^{\circ}59'53''$ East, a distance of 501.97 feet to the beginning of a curve tangent to said line; thence southeasterly and southerly a distance of 222.25 feet along the curve concave to the southwest, having a radius of 634.00 feet and a central angle of $20^{\circ}05'07''$; thence South $19^{\circ}54'45''$ East tangent to said curve, a distance of 211.70 feet to the beginning of a curve concave to the east having a radius of 2966.00 feet and a central angle of $1^{\circ}44'11''$ and being subtended by a chord which bears South $20^{\circ}49'16''$ East 89.88 feet; thence southerly along said curve, a distance of 89.88 feet; thence South $21^{\circ}41'22''$ East tangent to said curve, a distance of 61.81 feet to a point on the latitudinal centerline of Section 17; thence along the latitudinal centerline of Section 17, South $89^{\circ}38'48''$ East, a distance of 547.78 feet to the east quarter corner of said Section 17; thence along the east line of said Section 17 North $4^{\circ}56'35''$ East a distance of 2,644.48 feet to the point of BEGINNING.

DECISION NO.

PARCEL III:

All of Sections 21 and 22, Township 16 North, Range 3 West of the Gila and Salt River Base and Meridian.

EXCEPT THEREFROM all coal, oil, gas and other mineral deposits as reserved in the Patent recorded in Book 25 of Official Records, page 106.

(Affects Section 22, Township 16 North, Range 3 West)

EXCEPT for that portion lying within the following described Parcels:

PARCEL A:

Section 21 and Section 22 of Township 16 North, Range 3 West of the Gila and Salt River Base and Meridian, County of Yavapai, State of Arizona, described as follows:

BEGINNING at the intersection of the South line of said Section 22 and the Westerly sideline of Williamson Valley Road, 100 feet wide (also known as Prescott-Simmons Highway), whence the south quarter corner of said Section 22 bears South 88 degrees, 51 minutes, 40 seconds East, a distance of 112.82 feet;

Thence along said Westerly line, North 30 degrees, 31 minutes, 54 seconds West, 945.97 feet;

Thence parallel with the Southerly line of said Section 22, North 88 degrees, 54 minutes, 05 seconds West, 2,215.12 feet to the East line of said Section 21;

Thence parallel with the Southerly line of said Section 21, South 86 degrees, 23 minutes, 15 seconds West 2,826.98;

Thence continuing along said parallel line, South 88 degrees, 48 minutes, 30 seconds, West, 1,170.00 feet;

Thence South 03 degrees, 42 minutes, 29 seconds East, 805.67 feet to the South line of said Section 21;

Thence along said Section line, North 88 degrees, 48 minutes, 30 seconds East, 1,151.53 feet to the Southerly quarter corner of said Section, said corner is monumented with a 3 inch diameter brass disk set in concrete, stamped "WJ Cheek 1961 PE 2398";

Thence continuing along said South line North 86 degrees, 23 minutes, 15 seconds East, 2,804.18 feet to the Southeast corner of said Section 21; said corner is monumented with a 3 inch diameter brass disk set in concrete, stamped "WJCHEEK 1961 PE 2398";

DECISION NO. _____

Thence along the Southerly line of said Section 22, South 88 degrees, 54 minutes, 05 seconds East, 2,684.88 feet to the POINT OF BEGINNING.

PARCEL B

Section 21 and Section 22 described as follows:

COMMENCING at the intersection of the South line of said Section 22 and the Westerly sideline of said Williamson Valley Road;

Thence along said Westerly line, North 30 degrees, 21 minutes, 54 seconds West, 945.97 feet to the POINT OF BEGINNING.

Thence parallel with the southerly line of said Section 22, North 88 degrees, 54 minutes, 05 seconds West, 2,215 feet to the East line of said Section 21:

Thence parallel with the southerly of said Section 21, South 86 degrees, 23 minutes, 15 seconds West, 2,826.98 feet;

Thence continuing along said parallel line, South 88 degrees, 48 minutes, 30 seconds West, 1,170 feet:

Thence North 3 degrees, 42 minutes, 29 seconds West, 2,001.74 feet;

Thence North 89 degrees, 13 minutes, 31 seconds East, 5,210.05 feet to the Westerly sideline of Williamson Valley Road;

Thence along said sideline South 30 degrees, 32 minutes, 28 seconds East 1,961.02 feet:

Thence South 30 degrees, 31 minutes, 54 seconds East, 254.31 feet to the POINT OF BEGINNING.

PARCEL C:

Any portion lying south of the northerly right of way line of Nancy Drive as recorded in Book 16 of Maps, page 63, and East of the Easterly right of way of Williamson Valley Road, generally described as follows:

Beginning at the southeast corner of said Section 22; thence along the east line of the section, North 00°24'03" West, a distance of 733.34 feet to a point on the north right-of-way line of Nancy Drive; thence generally along said right-of-way line, South 84°20'32" West, a distance of 532.77 feet; thence North 86°51'41" West, a distance of 71.48 feet; thence North 77°34'10" West, a distance of 330.48 feet; thence South 89°24'59" West, a distance of 172.39 feet; thence South 65°15'47" West, a distance of 128.62 feet; thence South 50°39'08" West, a distance of 317.42 feet; thence South 65°21'35" West, a distance of 118.18 feet; thence South 89°09'58" West, a distance of 126.26 feet; thence North 83°07'30" West, a distance of 992.49 feet; thence North 77°41'53" West, a distance of 120.26

feet; thence North $61^{\circ}38'09''$ West, a distance of 195.37 feet; thence North $85^{\circ}52'18''$ West, a distance of 132.45 feet; thence South $70^{\circ}08'27''$ West, a distance of 56.13 feet to a point on the easterly right-of-way line of Williamson Valley Road; thence along the easterly right-of-way line of Williamson Valley Road South $30^{\circ}29'25''$ East, a distance of 718.99 feet to a point on the south line of said Section 22; thence along the south line of said Section 22, South $88^{\circ}50'59''$ East, a distance of 2793.16 feet to the Point of Beginning.

PARCEL IV:

The North half of Section 28, Township 16 North, Range 3 West of the Gila and Salt River Base and Meridian.

EXCEPT for the following described Parcel:

That portion of Section 28, Township 16 North, Range 3 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, described as follows:

BEGINNING at the Northeast corner of said Section 28, said corner is monumented with a 3 inch diameter brass disk set in concrete, stamped "WJ Cheek PE 2398";

Thence, along the North line of said Section 28, South 86 degrees 23 minutes, 15 seconds West, 2,804.18 feet to the North quarter corner of said Section 28, said corner is monumented with a 3 inch diameter brass disk set in concrete, stamped "WJ Cheek PE 2398";

Thence, continuing along said North line of Section 28, South 88 degrees, 48 minutes, 30 seconds West, 1,151.53 feet to a line parallel with the East line of said Section 28;

Thence, along said parallel line, South 03 degrees, 42 minutes, 29 seconds East, 2,614.40 feet to the mid-section line of said Section 28;

Thence, along said mid-section line, North 88 degrees, 26 minutes, 14 seconds East, 3,957.37 feet to the East quarter corner of said Section 28, said corner is monumented with a 3 inch diameter brass disk set in concrete stamped "WJ Cheek PE 2398";

Thence, along the East line of said Section 28, North 03 degrees, 42 minutes, 29 seconds West, 2,707.30 feet to the POINT OF BEGINNING.

PARCEL V:

Section 33 of Township 16 North, Range 3 West of the Gila and Salt River Base and Meridian, County of Yavapai, State of Arizona, lying Northerly and Northwesterly of the following described line:

BEGINNING on the West line of the said Section, North 0 degrees, 12 minutes, 47 seconds West, 1,992.80 feet from the Southwest corner of said Section, said corner is monumented with a General Land Office survey monument;

Thence North 89 degrees, 47 minutes, 13 seconds East, 1,051.14 feet to an existing 4 strand barbed wire fence;

Thence generally, along said fence line North 55 degrees, 49 minutes, 36 seconds East, 5,326.57 feet to the East line of said section.

EXCEPT THAT PORTION DESCRIBED AS FOLLOWS:

An Irregular shaped portion of Section 33 of Township 16 North, Range 3 West of the Gila and Salt River Base and Meridian, County of Yavapai, State of Arizona, described as follows:

Beginning at the Northeast corner of said Section, said corner is monumented with a 3 inch diameter brass disk set in concrete, stamped "WJ Cheek 1961 PE 2398";

Thence, along the North line of said Section, South 89 degrees, 15 minutes, 14 seconds West 2,737.46 feet, to the North quarter corner of said Section, said corner is monumented with a 3 inch diameter brass disk set in concrete, stamped "WJ Cheek 1961 PE 2398";

Thence, continuing along said line, South 89 degrees, 16 minutes, 37 seconds West 1,222.44;

Thence, departing said line, South 3 Degrees, 42 minutes, 29 seconds East, 2,896.81 feet to an existing 4 strand barbed wire fence line;

Thence, generally along said fence line, North 55 degrees 49 minutes 36 seconds East 4,556.29 feet to the East line of said Section;

Thence along said line, North 0 degrees, 23 minutes, 28 seconds East 382.57 feet to the POINT OF BEGINNING.

EXCEPT from all Parcels I, II and III, any portion lying within Prescott-Simmons Highway right of way.

PARCEL VI:

A portion of Section 11, Township 16 North, range 3 West of the Gila and Salt River Meridian Yavapai County, Arizona, described as follows:

BEGINNING at the Southwest corner of said Section 11, as depicted on the Survey Plat recorded in Book 53 of Land Surveys, Page 30, records of said Yavapai County;

Thence South 88 degrees, 11 minutes, 05 seconds east along the South line of said Section 11, a distance of 2,711.26 feet to the South Quarter corner of said Section 11, as depicted on said Plat.

Thence South 88 degrees, 10 minutes, 26 seconds East (of record South 88 degrees, 13 minutes East), along said South line, a distance of 164.88 feet (of record 165.00 feet) to the Southwest corner of that certain parcel described in Book 2195 of Official Records, Page 746 and Book 3603 of Official Records, Page 873, records of Yavapai County, said corner being monumented with a one-half inch bar;

Thence North 00 degrees, 08 minutes, 09 seconds west (of record North 00 degrees, 06 minutes, 45 seconds West), along the West line thereof, a distance of 1,826.06 feet (of record 1,826.19 feet) to the Northwest corner of said parcel, being also the Southwest corner of that certain parcel described in Book 2633 of Official Records, Page 474, records of said Yavapai County, said corner being monumented with a one-half inch iron bar;

Thence North 00 degrees, 05 minutes, 23 seconds West (record North 00 degrees, 06 minutes, 45 seconds West) along the West line of said parcel described in Book 2633 of Official Records, Page 474, a distance of 1,829.86 feet (of record 1,837.24 feet) to the Northwest corner thereof, being also the Southwest corner of that certain parcel described in Book 2439 of Official Records, page 517, records of said Yavapai County, said corner being monumented with a one-inch iron bar;

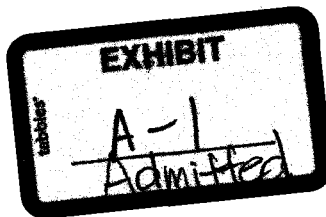
Thence North 00 degrees, 07 minutes, 54 seconds West (of record of 00 degrees, 07 minutes, 00 seconds West), along the West line of said parcel described in Book 2439 of Official Records, Page 517, a distance of 1,832.47 feet (of record 1,832.48 feet) to the Northwest corner of said parcel, said corner being a point on the North line of said Section 11 and being monumented with a one-half inch iron bar;

Thence North 88 degrees, 56 minutes, 36 seconds West (of record North 88 degrees, 56 minutes, 06 seconds West) along said North line, a distance of 165.03 feet (of record 165.00 feet) to the North quarter corner of said Section 11, as depicted on said Plat.

Thence North 88 degrees, 56 minutes, 16 seconds West along said North line, a distance of 2,778.19 feet to the Northwest corner of said Section 11, as depicted on said Plat;

Thence South 00 degrees, 50 minutes, 19 seconds, East along the West line of said Section 11, a distance of 2,726.26 feet to the West quarter corner of said Section 11, as depicted on said Plat;

Thence South 00 degrees, 49 minutes, 50 seconds East along said West line, a distance of 2726.10 feet to the POINT OF BEGINNING.



RECEIVED

2001 MAY 31 P 4: 22

AZ CORP COMMISSION
DOCUMENT CONTROL

1 LEWIS
2 AND
3 ROCA
4 LLP
5 LAWYERS

6
7 **BEFORE THE ARIZONA CORPORATION COMMISSION**

8 WILLIAM A. MUNDELL
9 Chairman

10 JIM IRVIN
11 Commissioner

12 MARC SPITZER
13 Commissioner

14 IN THE MATTER OF THE APPLICATION)
15 OF ICR WATER USERS ASSOCIATION,)
16 INC. FOR AN EXTENSION OF ITS)
17 EXISTING CERTIFICATE OF)
18 CONVENIENCE AND NECESSITY)

Docket No. W-02824A-01-0450

APPLICATION

19 ICR Water Users Association Inc., an Arizona corporation ("Company"),
20 hereby applies for an Order approving an extension of the Company's existing Certificate
21 of Convenience and Necessity ("CC&N") to include property contiguous to its CC&N. In
22 support of this Application, Company states as follows:

23 1. Company is an Arizona corporation engaged in providing water utility
24 service for public purposes within portions of Yavapai County, Arizona. Company was
25 first granted its CC&N in Decision No. 5293 (August 30, 1995). The Company currently
26 has approximately 71 water utility customers, and the area served by Company contains
residential properties.

1 2. The additional area covered by this Application includes property owned
2 by and/or being developed by Harvard Simon I, L.L.C. who has requested that Company
3 extend water utility service to that property. (A copy of the Main Extension Agreement
4 between Harvard Simon I, L.L.C. and ICR Water Users Association stating Harvard is
5 requesting service (Part C, Page 2) is attached hereto as Exhibit 1).

6 3. Company's business address is 7755 Williamson Valley Road, P. O. Box
7 4413, Prescott, Arizona 86302, and its telephone number is (520) 445-5258. The
8 management contact for the Company is Mr. Swayze E. McCraine, whose address is 7765
9 Williamson Valley Road, Prescott, Arizona 86301. Mr. McCraine's business telephone
10 number is (520) 445-5258.

11 4. The Company's operator certified by the Arizona Department of
12 Environmental Quality is Kimbel McClymonds, Yavapai Water Production, 2132
13 Stringfield Road, Prescott, Arizona 86305. Mr. McClymonds business telephone number
14 is (520) 771-9461.

15 5. The Company's attorneys are Lewis and Roca, whose address is 40
16 North Central Avenue Phoenix, Arizona 85004-4429. The attorneys responsible for this
17 application are Thomas H. Campbell and Michael T. Hallam. The telephone number is
18 (602) 262-5723.

19 6. A Certificate of Good Standing for the Company is attached hereto as
20 Exhibit 2.

21 7. A legal description of the area covered by this Application is attached as
22 Exhibit 3.

23 8. The newly acquired customers in the requested area will receive water
24 service subject to the Company's current rates and charges for water utility service.

25 9. Detailed maps indicating the Company's present CC&N and the area
26 requested by this Application are attached hereto as Exhibit 4.

10. Company's balance sheet and profit and loss information for the 12-month period ending December 31, 2000 is attached hereto as Exhibit 5.

11. The estimated numbers of customers to be served in each of the first five years of water utility service to the new area covered by this Application are as follows:

<u>Residential</u>		<u>Commercial</u>		<u>Industrial</u>	
1 st Year	<u>50</u>	1 st Year	<u>0</u>	1 st Year	<u>0</u>
2 nd Year	<u>125</u>	2 nd Year	<u>0</u>	2 nd Year	<u>0</u>
3 rd year	<u>125</u>	3 rd Year	<u>0</u>	3 rd Year	<u>0</u>
4 th Year	<u>125</u>	4 th Year	<u>0</u>	4 th Year	<u>0</u>
5 th Year	<u>125</u>	5 th Year	<u>0</u>	5 th Year	<u>0</u>

12. The Company's projected annual water demand, in gallons, for each of the customer classes in the new area covered by this Application for each of the first five years, is as follows:

<u>Residential</u>		<u>Commercial</u>		<u>Industrial</u>	
1 st Year	<u>9,752</u>	1 st Year	<u>0</u>	1 st Year	<u>0</u>
2 nd Year	<u>12,388</u>	2 nd Year	<u>0</u>	2 nd Year	<u>0</u>
3 rd Year	<u>21,613</u>	3 rd Year	<u>0</u>	3 rd Year	<u>0</u>
4 th Year	<u>34,792</u>	4 th Year	<u>0</u>	4 th Year	<u>0</u>
5 th Year	<u>47,971</u>	5 th Year	<u>0</u>	5 th Year	<u>0</u>

13. The Company's estimated annual operating revenue and operating expenses for each of the first five years of operation in the new area covered by this Application are as follows:

<u>Operating Revenue</u>		<u>Operating Expenses</u>	
1 st Year	<u>43,469</u>	1 st Year	<u>84,448</u>
2 nd Year	<u>93,498</u>	2 nd Year	<u>155,125</u>
3 rd Year	<u>156,198</u>	3 rd Year	<u>231,719</u>
4 th Year	<u>218,899</u>	4 th Year	<u>308,964</u>
5 th Year	<u>281,599</u>	5 th Year	<u>386,391</u>

14. The Company's Water Use Data Sheet for the past 13 months is attached hereto as Exhibit 6.

1 15. The Company's total estimated cost to construct utility facilities to serve
2 customers in the requested area is approximately \$15,398,078.00.

3 16. The utility facilities needed to serve the requested area will be constructed
4 as needed to provide service to customers. The estimated starting and completion dates
5 for the construction of these facilities are as follows:

6 Starting Date : upon approval of this application
7 Completion Date: June 2002

8 17. The construction of the utility facilities to serve the requested area will be
9 financed primarily by advances in aid of construction in accordance with A.A.C. R14-2-
10 406. The Company has entered into a written main extension agreement with Harvard
11 Simon I, L.L.C., and will submit copies to the Utilities Division for review and approval,
12 as required under the regulations. Prior to initiating service, the Company will also
13 furnish: (a) appropriate Certificate(s) of Approval to Construct, and (b) either an
14 Adequacy Statement or hydrologic information that proves an adequate water supply
15 exists to serve water to the requested area.

16 18. A franchise has previously been granted by Yavapai County to Company
17 which includes the requested area. A copy of the Company's Franchise Agreement is
18 attached hereto as Exhibit 7.

19 19. Notice of this Application will be provided by the Company as required
20 by the Commission. Notice will be given by publication in a newspaper of general
21 circulation, and where practicable, by mail to the known property owners within the
22 requested area. Proof of publication and service of the notice will be filed with the
23 Commission.

24 20. The Company maintains that this Application is in the public interest and
25 should be granted. The requested area is contiguous to the Company's existing
26 certificated area, and the Company is in the best position to extend and provide service to

1 the requested area. Expansion of service into the requested area will benefit the Company
2 and its existing customers by allowing the cost of providing water service to be spread
3 over a larger customer base and allowing the Company to achieve greater economies of
4 scale. This will improve the Company's financial condition and foster orderly growth in
5 the area.

6 21. The Company is currently in compliance with all water quality standards
7 and requirements, and other regulatory requirements applicable to its provision of water
8 utility service.

9 WHEREFORE, Company respectfully requests the following:


10 A. That the Commission proceed to consider and act upon this Application as
11 speedily as possible and to schedule a hearing, if necessary, on this matter;

12 B. That upon completion of said hearing that the Commission enter an Order
13 approving the extension of the Company's current Certificate of Convenience and
14 Necessity to include the additional geographic area requested by this Application, which
15 has been fully described herein; and

16 C. For such other and further relief as may be appropriate under the
17 circumstances herein.

18 DATED this 31st day of May, 2001.

19
20 LEWIS AND ROCA LLP

21
22 
23 Thomas H. Campbell
24 Michael T. Hallam
25 40 N. Central Avenue
26 Phoenix, Arizona 85007
(602) 262-5723
Attorneys for ICR Water User Association

LEWIS
AND
ROCA
LLP
LAWYERS

ORIGINAL and ten (10)
copies of the foregoing filed
this 31st day of May, 2001,
with:

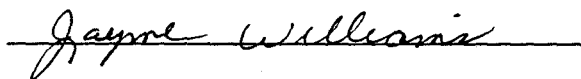
Arizona Corporation Commission
Docket Control – Utilities Division
1200 W. Washington Street
Phoenix, Arizona 85007

COPY of the foregoing hand-
delivered this 31st day of May,
2001, to:

Jim Fisher
Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

Deborah R. Scott
Director, Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

Christopher Kempley
Chief Counsel
Legal Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007



1

MAIN EXTENSION AGREEMENT
(WATER SERVICE)

THIS AGREEMENT is made this 5 day of MARCH 2001 by and between ICR WATER USERS ASSOCIATION, an Arizona public service corporation ("Utility") and HARVARD SIMON I, L.L.C., an Arizona limited liability company ("Developer"), for the purposes and considerations hereinafter set forth.

RECITALS

A. Developer is the Second Beneficiary under the First American Title Insurance Agency of Yavapai, Inc. Trust No. 4750, which trust owns approximately 3470 acres of real property generally situated in Yavapai County, Arizona, more particularly described in Exhibit "A" attached hereto and incorporated herein by this reference (the "Property"). Developer is authorized to obtain water and wastewater utility services for the Property. A portion of the Property, approximately 400 acres, is currently located within the Utility's Certificate of Convenience and Necessity ("CC&N") as shown in the map attached hereto as Exhibit "B" and incorporated herein by this reference. The remainder of the Property, approximately 3070 acres (the "Extension Area"), is adjacent to utility's CC&N as shown in Exhibit "B," but is not located in the certificated service area of the Utility or of any other certificated water utility provider or in the service area of any municipal water utility service provider. The majority of the Property, approximately 2,500 acres, is located in an area eligible for membership in the Utility pursuant to the Utility's By-Laws.

B. Utility is a public service corporation as defined in Article XV, Section 2 of the Arizona Constitution and, as such, is regulated by the Arizona Corporation Commission ("Commission"). Utility has been granted a CC&N by the Commission authorizing Utility to

provide water utility services. Utility is willing to promptly seek approval of the Commission to extend its CC&N to include the Extension Area and to take all other action and obtain other government approvals as necessary in connection with the extension of Utility's CC&N to include the Extension Area. Thereafter, Utility is willing to extend water utility service to the Property in accordance with the terms and conditions set forth in this Agreement and in accordance with relevant law, including the rules and regulations of the Commission.

C. Developer has requested that water utility service be extended and provided to the Property by Utility in furtherance of Developer's planned development of the Property. Developer intends to develop on the property a residential subdivision to be known as Talking Rock Ranch that will contain approximately 1500 residential dwellings, certain common areas and a ranch compound with a clubhouse, swimming pool, tennis courts and a health and fitness center. Developer is willing to construct and install distribution mains, valves, fittings, storage facilities and other water utility facilities both on-site and off-site (the "Facilities") necessary for Utility to furnish water service to each lot, building or other customer within the Property and, following construction, to convey title to the Facilities to Utility. All amounts paid by Developer hereunder will be treated as an advance in aid of construction according to the terms and conditions set forth hereinafter.

D. Developer also intends to construct an 18-hole golf course at the Property, with a driving range, other practice facilities, storage lakes and related amenities and facilities (the "Golf Course"). Developer will supply water to the Golf Course for landscape irrigation, the filling of lakes and other non-potable purposes.

NOW, THEREFORE, in consideration of the following covenants and agreements, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

AGREEMENTS

1. Construction of Water Utility Facilities by Developer.

(a) Construction of Facilities. At its sole expense, Developer shall construct and install, or shall cause to be constructed and installed water utility facilities consisting of water distribution mains and pipelines, valves, hydrants, fittings, service lines and all other related items of utility plant, both on-site and off-site, to be used to extend water service to each lot, building or other customer within the Property (the "Facilities") as more particularly described in Exhibit "C" attached hereto and incorporated herein by this reference. Exhibit "C" also contains an estimated cost of construction for the Facilities. Utility hereby acknowledges and agrees that the Property may be developed in separate phases and that Developer may construct and install the Facilities in phases in a manner that will allow for the provision of water utility services to each phase as necessary and in a timely manner. The size, design, type and quality of materials used to construct the Facilities, as well as the location of the Facilities upon and under the ground, shall be approved by Utility, which approval shall be promptly provided and which shall not be unreasonably withheld.

(b) Utility's Use of the Facilities. Utility covenants and agrees that it shall use its best efforts to ensure that the Facilities are not used to serve customers outside the Property in a manner that adversely impacts the provision of water utility service to the Property. Utility further represents to Developer that, in Utility's judgment, the cost of constructing the

Facilities is disproportionate to anticipated revenues to be derived from future customers within the Property.

2. Engineering Plans. Developer has retained Shephard-Wesnitzer, Inc. to prepare engineering plans and specifications for the Facilities to be constructed hereunder. Developer may retain additional engineers or other consultants as determined in Developer's sole discretion to be necessary in connection with the design and installation of the Facilities. All plans and specifications shall be submitted to Utility and its engineers for review and approval, together with a copy of the subdivision plat for the Property and drawings depicting the infrastructure improvements for the subdivision.

3. Design and Construction Standards; Regulatory Approvals. All Facilities designed and constructed by Developer hereunder shall be in strict conformance with the plans and specifications therefor, and the applicable regulations of the Yavapai County Environmental Services Department ("Environmental Services"), Arizona Department of Environmental Quality ("ADEQ"), the Commission and/or any other governmental agency exercising jurisdiction over the design and construction of potable water systems. Prior to construction of any Facilities, Developer shall obtain approval to construct from either Environmental Services or ADEQ.

Upon completion of the Facilities, Developer shall obtain approval of construction from either Environmental Services or ADEQ. Developer shall also be responsible for obtaining any additional permits, licenses and/or approvals required for the construction of the Facilities. Utility shall cooperate with and assist Developer promptly, as may be reasonably required, in obtaining such certificates and approvals. All contractors and subcontractors employed by Developer in connection with the construction of the Facilities shall be licensed by the Arizona Registrar of Contractors and shall be qualified in the construction of public water systems.

4. Right of Inspection; Corrective Action. Utility shall have the right to have its engineers, the selection of which shall be subject to Developer's approval, inspect and test the Facilities at reasonable times during the course of construction as necessary to ensure conformance with plans and specifications. If at any time before the final acceptance by Utility of the Facilities any construction, materials or workmanship are found to be defective or deficient in any way, or the Facilities fail to conform to this Agreement, then Utility may reject such defective or deficient construction, materials and/or workmanship and require Developer to fully pay for all necessary corrective construction efforts ("Corrective Action"). Utility reserves the right to withhold approval and to forbid connection of any defective portion of the Facilities to Utility's system unless and until the Facilities have been constructed in accordance with plans and specifications and all applicable regulatory requirements. Further, Developer shall promptly undertake any Corrective Action required to remedy such defects and deficiencies in construction, materials and workmanship upon receipt of notice by Utility. The foregoing notwithstanding, Utility shall not unreasonably withhold or delay acceptance of the Facilities.

5. Transfer of Ownership; As-Built Plans; Warranty.

(a) Transfer of Ownership. Upon proper completion, testing and final inspection of the Facilities by Utility, Utility shall issue a written notice of acceptance to Developer. Immediately thereafter, Developer shall convey to Utility, via a bill of sale in a form satisfactory to Utility, the Facilities together with any permanent easements and/or rights-of-way required pursuant to paragraph 7 below. All Facilities so transferred shall thereafter become and remain the sole property and responsibility of Utility. Developer covenants and agrees that, at the time of transfer, the Facilities shall be free and clear of all liens and encumbrances, and Developer shall provide evidence in the form of lien waivers or other appropriate documents that

all claims of contractors, subcontractors, mechanics and materialmen have been paid and are fully satisfied.

(b) As-Built Plans. At the time of transfer, Developer shall provide to Utility three (3) sets of "as-built" drawings and specifications for the Facilities, certified and sealed by Developer's engineers to be true and correct.

(c) Warranty. Developer warrants that, upon their completion, the Facilities will be free from all defects and deficiencies in construction, materials and workmanship for a period of time commensurate with the warranty period provided to Developer by contractors retained by Developer to construct the Facilities, but in no event, for a period of less than one (1) year from the date of Utility's acceptance. During the warranty period, Developer agrees to promptly undertake any Corrective Action required to remedy such defects and deficiencies upon notice by Utility. Upon Utility's acceptance of the Facilities, as provided in this paragraph, Utility shall be deemed to have accepted the Facilities in "as is" and "as-constructed" condition, subject only to the warranty period concerning defects and deficiencies in construction, materials and workmanship provided for herein.

6. Reimbursement for Inspection Costs, Overhead and Other Expenses of Utility. Developer shall reimburse Utility for Utility's reasonable fees, costs and expenses incurred in connection with its review of the engineering plans and specifications for the Facilities, the preparation of this Agreement and other necessary legal services, inspection and testing of the Facilities during their construction, and other fees, costs and expenses reasonably and necessarily incurred by Utility with respect to this project during the course of construction and in connection with obtaining approval of the Commission to extend Utility's CC&N to include the Extension Area (collectively, "Administrative Costs"). Utility covenants to use

reasonable efforts to incur Administrative Costs only as necessary and prudent. On a monthly basis, Utility shall provide Developer with a written statement describing with specificity all Administrative Costs incurred by Utility during the preceding month, together with complete copies of all bills, statements and invoices supporting such Administrative Costs. Developer shall make payment on or before the fifteenth (15th) day of the calendar month following the month in which Utility's statement is received. Utility hereby acknowledges its receipt of \$5,000.00 as a deposit, which deposit shall be applied as a credit against Administrative Costs incurred by Utility hereunder.

7. Public Streets and Rights-of-Way; Easements; Spacing of Lines. At the time of transfer of ownership of any Facilities, as provided in paragraph 5 above, Developer shall provide Utility with evidence satisfactory to Utility that all distribution mains and service lines within the Property are located within dedicated streets and/or public rights-of-way. In the event that any distribution mains or service lines are not located within dedicated streets and/or public rights-of-way, then at the time of transfer of ownership of such Facilities, Developer shall grant to Utility, or shall cause to be granted to Utility, easements and/or rights-of-way, free from all liens and security interests thereon, and in a form that is satisfactory to Utility, over, under, and across all pipeline routes and all portions of the Property necessary to operate, maintain and repair such Facilities. Unless otherwise mutually agreed upon in writing, such easements and/or rights-of-way within the Property shall be free of physical encroachments, encumbrances or obstacles, and shall have a minimum width of ten (10) feet. The distribution mains and service lines constructed and installed by Developer within the Property shall be separated by a reasonable distance from other utility lines and facilities to prevent damage or conflicts in the event of repairs or maintenance.

8. Determination of Amount of Developer Advances. The actual cost of constructing and installing the Facilities described in paragraph 1 above and all amounts paid by Developer pursuant to paragraph 6 above shall constitute an advance in aid of construction and shall be refundable to Developer in accordance with paragraph 9, below. Developer shall provide Utility with a written statement setting forth in detail Developer's actual costs of construction within ten (10) business days following receipt of Utility's notice of acceptance of the Facilities, together with copies of all invoices, bills, statements and other documentation evidencing the cost of construction. The costs of any Corrective Action, as defined in paragraph 4 above, the costs of curing any defects arising during the warranty period, as provided herein, and the costs of any unreasonable overtime incurred in the construction of the Facilities shall not be included in the actual cost of constructing and installing the Facilities, and shall not be subject to refund by Utility hereunder.

9. Refunds of Advances to Developer. Following the District's acquisition of the Facilities pursuant to paragraph 5(a) hereinabove, Utility shall refund annually to Developer an amount equal to fifteen percent (15%) of the gross annual operating revenues from water sales to bona fide customers of Utility within the Property. Such refunds shall be paid by Utility on or before August 31 of each calendar year for the preceding July 1 to June 30 period, commencing in the fifth calendar year immediately following the initiation of water utility service to the first customer within the Property by Company, continuing thereafter in each succeeding calendar year for a total of twenty (25) years. No interest shall accrue or be payable on the amounts to be refunded for the Facilities hereunder, and any unpaid balance remaining at the end of such twenty-five year period shall become a non-refundable contribution in aid of construction to Utility and be recorded as such in the Utility's books and records of account. In

no event shall the total amount of the refunds paid by Utility pursuant to this Agreement exceed the total amount of all refundable advances paid by Developer in connection with the construction of the Facilities.

10. Notice. All notices and other written communications required hereunder shall be sent to the parties as follows:

Swayze McCraine
ICR Water Users Association
P. O. Box 4413
Prescott, Arizona 86302

Doug Zuber
Harvard Simon I, L.L.C.
c/o Harvard Investment, Inc.
7600 E. Doubletree Ranch Rd., Suite 220
Scottsdale, AZ 85258

Each party shall advise the other party in writing of any change in the manner in which notice is to be provided hereunder.

11. Risk of Loss: Indemnification. Until Utility has issued its written notice of acceptance of the Facilities constructed hereunder, all risk of loss with respect to the Facilities shall remain with Developer. Developer shall indemnify and hold Utility and its officers, directors, employees and agents harmless for, from and against all claims or other liability, whether actually asserted or threatened, arising out of or related to Developer's construction of the Facilities hereunder. Developer's obligations under this paragraph shall not extend to any claims or liability arising out of Utility's ownership and operation of the Facilities following their acceptance.

12. Utility's Obligation to Serve.

(a) Developer's Failure to Perform. Utility shall have no obligation to accept and operate the Facilities to be constructed hereunder in the event Developer fails to make

any payment provided in this Agreement, fails to complete the construction and installation of the Facilities in accordance with their plans and specifications or otherwise fails to comply with any of the terms and conditions of this Agreement in any material respect.

(b) Fire Protection Services. Utility agrees to provide water for fire protection to the Property in accordance with the requirements of Yavapai County and any private fire and emergency service providers. It is understood and agreed that the Facilities have been designed to allow the delivery of water for fire protection purposes to the Property. The foregoing notwithstanding, the Utility will supply only such water at such pressures as may be available as a result of the normal operation of its system, and the Utility shall not be liable for injuries or damage resulting from causes beyond the Utility's control.

(c) Water Supply to Golf Course. Utility acknowledges that Developer intends to construct the Golf Course. Utility further acknowledges that Developer intends to supply water to the Golf Course for landscape irrigation, the filling of lakes and other non-potable purposes and hereby provides its unconditional consent for Developer to supply water to the Golf Course for such purposes. Utility further agrees to provide water utility service to the Golf Course for landscape irrigation, the filling of lakes and other non-potable purposes at a future date but only upon receipt of Developer's written request at which time such service would be provided consistent with the rules and regulations of the Commission and Utility's Commission approved tariffs. Developer may also request, in writing, that such provision of water utility service by Utility for landscape irrigation, the filling of lakes and other non-potable services be on a temporary basis and Utility provides its unconditional consent for Developer to suspend or terminate such service within its sole discretion.

13. Contingencies.

(a) Commission Approval. Because a substantial portion of the Property (i.e., the Extension Area) lies outside Utility's CC&N, this Agreement is contingent upon approval by the Commission to extend the CC&N to include the Extension Area. Utility shall be responsible for promptly seeking Commission approval to extend its CC&N to include the Extension Area as well as for seeking approval of this Agreement. The parties shall cooperate with and assist each other in connection with obtaining such approval. If the Commission refuses to approve the extension of Utility's CC&N to include the Extension Agreement, then this Agreement shall be cancelable by any of the parties hereto upon written notice to the other parties, and no party hereto shall thereafter assert any right or be subject to any obligation imposed hereunder, except for payment by Developer of Administrative Costs reasonably incurred by Utility.

(b) Franchise Agreement. Utility further agrees to promptly seek approval from Yavapai County to extend Utility's Franchise Agreement with the County to include the Extension Area and/or any other portion of the Property not presently located within the Utility's Franchise area.

14. Right of Assignment. Developer may assign this Agreement, or any of its rights and obligations hereunder, to another party provided that written notice of such assignment is given to Utility prior to the effective date of assignment and that the assignee agrees in writing to fully perform Developer's obligations hereunder and to be bound by this Agreement.

15. Condemnation or Sale of Utility. In the event of the condemnation or sale of the Facilities, Utility shall promptly pay to Developer any unrefunded portion of Developer's

advances in aid of construction. Payment by Utility shall be made on or before thirty (30) days from the date on which Utility receives payment.

16. Alternative Dispute Resolution. The parties hereto agree that each will use good faith efforts to resolve, through negotiation, disputes arising hereunder without resorting to mediation, arbitration or litigation. However, to the extent that a dispute arises which cannot be resolved through negotiation, and the dispute does not fall within the jurisdiction of the Commission, the parties agree to the following dispute resolution mechanism:

(a) Mediation. The parties shall first attempt, in good faith, to resolve the dispute through mediation administered by the American Arbitration Association under its Commercial Mediation Rules.

(b) Arbitration. If the dispute cannot be resolved through mediation, the matter shall be submitted to binding arbitration in accordance with the rules of commercial arbitration ("Rules") then followed by the American Arbitration Association ("AAA"), Phoenix, Arizona. If the claim in dispute does not exceed \$20,000, then there shall be a single arbitrator selected by mutual agreement of the parties, and in the absence of agreement, appointed according to the Rules. If the claim in dispute exceeds \$20,000, the arbitration panel shall consist of three (3) members, one of whom shall be selected by Developer, one of whom shall be selected by Utility, and the third, who shall serve as chairman, whom shall be selected by the AAA. The arbitrator or arbitrators must be knowledgeable in the subject matter of the dispute. The costs and fees of the arbitrator(s) shall be divided equally between the parties. Any decision of the arbitrator(s) shall be supported by written findings of fact and conclusions of law, and shall be based upon sound engineering practice. The decision of the arbitrator(s) shall be final, subject to the exceptions outlined in the Arizona Uniform Arbitration Act, A.R.S. Section 12-

1502, et seq., and judgment may be entered upon the same; provided, however, that any decision of the arbitrator(s) may be appealed to the Superior Court of Maricopa County if it is based on an erroneous interpretation, application or disregard of the law applicable to the dispute. The arbitrator(s) shall control discovery in the proceedings and shall award the prevailing party its reasonable attorneys' fees and costs.

17. Commission Rules and Regulations. This Agreement, and all rights and obligations hereunder, shall be subject to the Commission's rules and regulations regarding the operation of water utility companies and all applicable rates, fees, charges, and tariffs of Utility as approved by the Commission or as may be modified in the future.

18. Attorneys' Fees. The prevailing party in any litigation or other proceeding concerning or related to this Agreement, or the enforcement of thereof, shall be entitled to recover its costs and reasonable attorneys' fees.

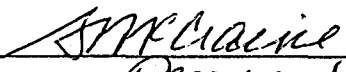
19. Time of the Essence. Time is of the essence of every provision hereof.

20. Miscellaneous. This Agreement shall be governed by the laws of the State of Arizona. This Agreement, and each and every term and condition contained herein, shall be binding upon and inure to the benefit of the successors and assigns of Utility and Developer. This Agreement sets forth the entire agreement between the parties and supersedes all prior negotiations, understandings and agreements between them, except as otherwise expressly provided herein. No change in, addition to, or waiver of any provisions of this Agreement shall be binding upon either party unless in writing and signed by both parties. This Agreement may be executed in two or more original or facsimile counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument. In case any provision of this Agreement shall be determined to be invalid, illegal or unenforceable, it shall,

to the extent possible, be modified in such manner as to be valid, legal and enforceable but so as most nearly to retain the intent of the parties. If such modification is not possible, such provision shall be severed from this Agreement. In either case the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby. The headings in this Agreement are inserted for convenience only, and shall not constitute a part of this Agreement or be used to construe or interpret any of its provisions. The parties have participated jointly in the negotiation and drafting of this Agreement. If a question of interpretation arises, this Agreement shall be construed as if drafted jointly by the parties, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provision of this Agreement.

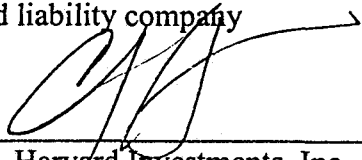
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written.

ICR WATER USERS ASSOCIATION, an
Arizona public service corporation

By: 
Its President

“Utility”

HARVARD SIMON I, L.L.C., an Arizona
limited liability company


By: Harvard Investments, Inc., an
Arizona corporation
Its Operating Member

“Developer”

PAGE 9 OF 14
BK 3763 PG 991 FEE 13269732
EXHIBIT "B"

PARCEL I:

All of Sections 15 and 16, Township 16 North, Range 3 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona.

PARCEL II:

The Northeast quarter of Section 17, Township 16 North, Range 3 West of the Gila and Salt River Base and Meridian lying Northeasterly of Prescott-Simmons Road as it existed on June 10, 1920.

EXCEPT all that portion of Section 17, Township 16 North, Range 3 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

COMMENCING at the point of intersection of the Easterly right of way of the Simmons Road and the North line of said Section 17, being the TRUE POINT OF BEGINNING.

Thence South 89 degrees, 54 minutes East, along the North line of said Section 17, a distance of 514.55 feet;

Thence South 34 degrees, 33 minutes East, parallel with the said Simmons Road, 514.55 feet;

Thence North 89 degrees, 54 minutes West, 514.55 feet to a point on the said Easterly right of way of the Simmons Road;

Thence North 34 degrees, 33 minutes West, 514.55 feet along the said Easterly right of way of the Simmons Road to the TRUE POINT OF BEGINNING as conveyed in Warranty Deed recorded November 13, 1996 in Book 3310 of Official Records, Page 854.

PARCEL III:

All of Sections 21 and 22, Township 16 North, Range 3 West of the Gila and Salt River Base and Meridian.

EXCEPT THEREFROM all coal, oil, gas and other mineral deposits as reserved in the Patent recorded in Book 25 of Official Records, Page 106.

(Affects Section 22, Township 16 North, Range 3 West)

Continued

EXHIBIT "B"

EXCEPT for that portion lying within the following described parcels:

PARCEL A:

Section 21 and Section 22 of Township 16 North, Range 3 West of the Gila and Salt River Base and Meridian, County of Yavapai, State of Arizona, described as follows:

BEGINNING at the intersection of the South line of said Section 22 and the Westerly sideline of Williamson Valley Road, 100 feet wide (also known as Prescott-Simmons Highway);

Thence along said Westerly line, North 30 degrees, 31 minutes, 54 seconds West, 945.97 feet;

Thence parallel with the Southerly line of said Section 22, North 88 degrees, 54 minutes, 05 seconds West, 2,215.12 feet to the East line of said Section 21;

Thence parallel with the Southerly line of said Section 21, South 86 degrees, 23 minutes, 15 seconds West, 2,826.98 feet;

Thence continuing along said parallel line, South 88 degrees, 48 minutes, 30 seconds West, 1,170.00 feet;

Thence South 03 degrees, 42 minutes, 29 seconds East, 805.67 feet to the South line of said Section 21;

Thence along said Section line, North 88 degrees, 48 minutes, 30 seconds East, 1,111.53 feet to the Southerly quarter corner of said Section, said corner is monumented with a 3 inch diameter brass disk set in concrete, stamped "WJ CHEEK 1961 PE 2398";

Thence continuing along said South line North 86 degrees, 23 minutes, 15 seconds East, 2,804.18 feet to the Southeast corner of said Section 21; said corner is monumented with a 3 inch diameter brass disk set in concrete, stamped "WJ CHEEK 1961 PE 2398";

Thence along the Southerly line of said Section 22, South 88 degrees, 54 minutes, 05 seconds East, 2,684.88 feet to the POINT OF BEGINNING.

PARCEL B:

Any portion lying South of the Northerly right of way line of Nancy Drive as recorded in Book 16 of Maps, Page 63, and East of the Easterly right of way of Williamson Valley Road.

Continued

EXHIBIT "B"

PARCEL IV:

The North half of Section 28, Township 16 North, Range 3 West of the Gila and Salt River Base and Meridian.

EXCEPT for the following described Parcel.

That portion of Section 28, Township 16 North, Range 3 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, described as follows:

BEGINNING at the Northeast corner of said Section 28, said corner is monumented with a 3 inch diameter brass disk set in concrete, stamped "WJ Cheek PE 2398";

Thence along the North line of said Section 28, South 86 degrees, 23 minutes, 15 seconds West, 2,804.18 feet to the North quarter corner of said Section 28, said corner is monumented with a 3 inch diameter brass disk set in concrete, stamped "WJ Cheek PE 2398";

Thence continuing along said North line of Section 28, South 88 degrees, 48 minutes, 30 seconds West, 1,151.53 feet to a line parallel with the East line of said Section 28;

Thence along said parallel line, South 03 degrees, 42 minutes, 29 seconds East, 2,614.40 feet to the mid-section line of said Section 28;

Thence along said mid-section line, North 88 degrees, 26 minutes, 14 seconds East, 3,957.37 feet to the East quarter corner of said Section 28, said corner is monumented with a 3 inch diameter brass disk set in concrete stamped "WJ Cheek PE 2398";

Thence along the East line of said Section 28, North 03 degrees, 42 minutes, 29 seconds West, 2,707.30 feet to the POINT OF BEGINNING

PARCEL V:

Section 33 of Township 16 North, Range 3 West of the Gila and Salt River Base and Meridian, County of Yavapai, State of Arizona, lying Northerly and Northwesterly of the following described line:

BEGINNING on the West line of said Section, North 0 degrees, 12 minutes, 47 seconds West, 1,992.80 feet from the Southwest corner of said Section, said corner is monumented with a General Land Office survey monument;

Thence North 89 degrees, 47 minutes, 13 seconds East, 1,051.14 feet to an existing 4 strand barbed wire fence;

Continued

EXHIBIT "B"

Thence generally along said fence line North 55 degrees 49 minutes 36 seconds East 5326.57 feet to the East line of said section

EXCEPT from all Parcels I, II and III any portion lying within Prescott-Simmons Highway right of way

PARCEL VI:

A portion of Section 11, Township 16 North, Range 3 West of the Gila and Salt River Meridian, Yavapai County, Arizona, described as follows:

BEGINNING at the Southwest corner of said Section 11 as depicted on the Survey Plat recorded in Book 53 of Land Surveys, Page 30, records of said Yavapai County;

Thence South 88 degrees, 11 minutes, 06 seconds East along the South line of said Section 11, a distance of 2711.26 feet to the South quarter corner of said Section 11, as depicted on said Plat;

Thence South 88 degrees, 10 minutes, 26 seconds East (of record South 88 degrees, 13 minutes East) along said South line, a distance of 164.88 feet (of record 165.00 feet) to the Southwest corner of that certain parcel described in Book 2196 of Official Records, Page 746 and Book 3603 of Official Records, Page 873, records of said Yavapai County, said corner being monumented with a one-half inch iron bar;

Thence North 00 degrees, 08 minutes, 09 seconds West (of record North 00 degrees, 06 minutes, 45 seconds West), along the West line thereof, a distance of 1826.06 feet (of record 1826.19 feet) to the Northwest corner of said parcel, being also the Southwest corner of that certain parcel described in Book 2633 of Official Records, Page 474, records of said Yavapai County, said corner being monumented with a one-half inch iron bar;

Thence North 00 degrees, 05 minutes, 23 seconds West (of record North 00 degrees, 06 minutes, 45 seconds West) along the West line of said parcel described in Book 2633 of Official Records, Page 474, a distance of 1829.86 feet (of record 1837.24 feet) to the Northwest corner thereof, being also the Southwest corner of that certain parcel described in Book 2439 of Official Records, Page 517, records of said Yavapai County, said corner being monumented with a one-half inch iron bar;

Continued

EXHIBIT "B"

Thence North 00 degrees, 07 minutes, 54 seconds West (of record North 00 degrees, 07 minutes, 00 seconds West) along the West line of said parcel described in Book 2439 of Official Records, Page 517, a distance of 1832.47 feet (of record 1832.48 feet) to the Northwest corner of said parcel, said corner being a point on the North line of said Section 11 and being monumented with a one-half inch iron bar;

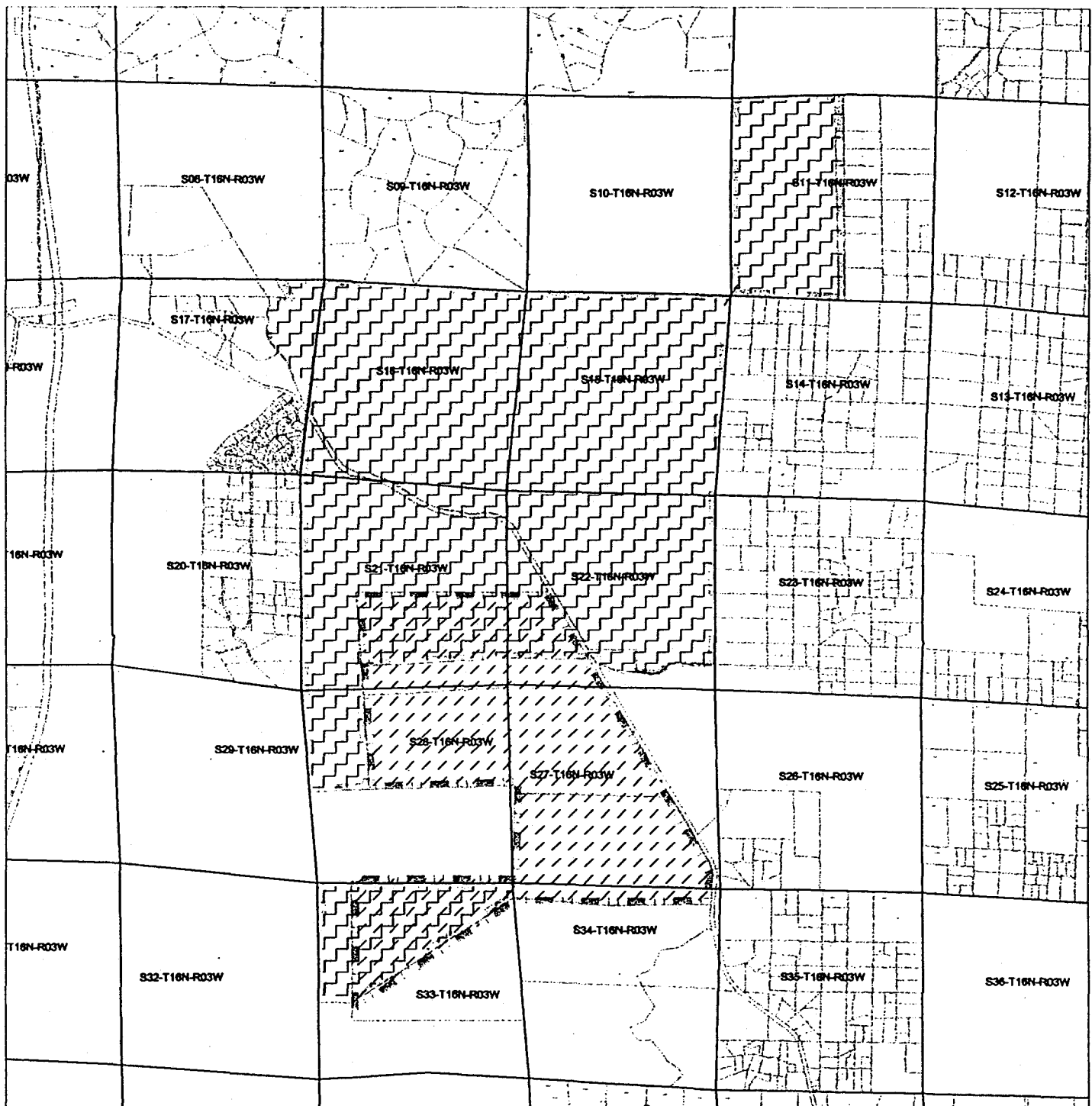
Thence North 88 degrees, 56 minutes, 36 seconds West (of record North 88 degrees, 56 minutes, 06 seconds West) along said North line, a distance of 165.03 feet (of record 165.00 feet) to the North quarter corner of said Section 11, as depicted on said Plat;

Thence North 88 degrees, 56 minutes, 16 seconds West along said North line, a distance of 2778.19 feet to the Northwest corner of said Section 11, as depicted on said Plat;

Thence South 00 degrees, 50 minutes, 19 seconds East along the West line of said Section 11, a distance of 2726.26 feet to the West quarter corner of said Section 11, as depicted on said Plat;

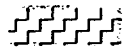
Thence South 00 degrees, 49 minutes, 50 seconds East along said West line, a distance of 2726.10 feet to the POINT OF BEGINNING.

ICR WATER USERS ASSOCIATION, EXISTING CC&N AND REQUESTED EXPANSION

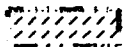


LEGEND

ICR WATER USERS
REQUESTED CC&N EXPANSION



ICR WATER USERS
CC&N AREA



ENGINEER'S OPINION OF PROBABLE COST

ICR DEVELOPMENT
YAVAPAI COUNTY, ARIZONA
BASED ON

SHEPHARD -WESNITZER, INC.
CONSULTING ENGINEERS
SEDONA, ARIZONA

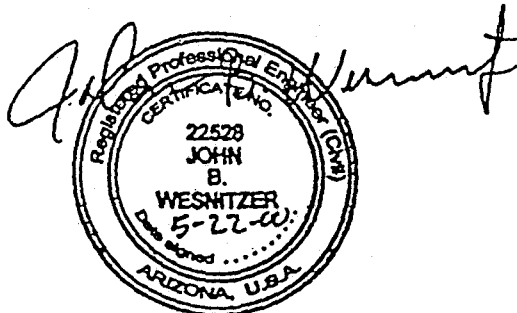
05/22/2000

INSCRIPTION CANYON RANCH, P.A.D."

REVISED 7/1/99 BY JAMES DALTON & ASSOC.

PREPARED FOR HARVARD INVESTMENTS

ITEM NO.	DESCRIPTION	ESTIMATED QUANTITY	UNIT	UNIT PRICE MAT. & LAB.	ESTIMATED AMOUNT
WATER SYSTEM					
1	WELL DEVELOPMENT	2	L.S.	\$50,000.00	\$100,000.00
2	OFFSITE WATER TRANSMISSION PIPE	16000	L.F.	\$60.00	\$960,000.00
3	STORAGE TANK (1,000,000 GALLON)	2	EA.	\$877,000.00	\$1,754,000.00
4	PUMP STATION	1	EA.	\$100,000.00	\$100,000.00
5	PUMP STATION	3	EA.	\$75,000.00	\$225,000.00
6	DISTRIBUTION SYSTEM	218000	L.F.	\$55.00	\$11,990,000.00
7	WATER SERVICE CONNECTION	1750	EA.	\$750.00	\$1,312,500.00
8	FIRE HYDRANTS	450	EA.	\$3,320.00	\$1,494,000.00
WASTEWATER COLLECTION SYSTEM					
9	COLLECTION SYSTEM PIPING	218000	L.F.	\$60.00	\$13,080,000.00
10	MANHOLES	600	EA.	\$2,500.00	\$1,500,000.00
11	PUMP STATIONS	4	EA.	\$75,000.00	\$300,000.00
WASTEWATER TREATMENT & DISPOSAL SYSTEM					
12	WASTEWATER TREATMENT PLANT (0.5	1	L.S.	\$2,500,000.00	\$2,500,000.00
13	EFFLUENT PIPING	18000	L.F.	\$45.00	\$810,000.00
14	EFFLUENT PUMPING STATIONS	2	EA.	\$50,000.00	\$100,000.00
15	EFFLUENT STORAGE RESERVOIRS	3	EA.	\$75,000.00	\$225,000.00
16	SALES TAX				\$1,776,962.00
17	CONTINGENCIES (20%)				\$7,645,492.00
18	ENGINEERING DESIGN				\$1,822,525.00
19	SURVEYING				\$729,010.00
TOTAL					\$45,872,954.00



2

STATE OF ARIZONA



Office of the
CORPORATION COMMISSION

To all to whom these presents shall come, greeting:

I, Brian C. McNeil, Executive Secretary of the Arizona Corporation Commission, do hereby certify that

*****ICR WATER USERS ASSOCIATION*****

a domestic corporation organized under the laws of the state of Arizona, did incorporate on December 2, 1994.

I further certify that this corporation has filed all affidavits and annual reports and paid all filing fees required to date and, therefore, is in good standing in this state.

*IN WITNESS WHEREOF, I have hereunto
set my hand and affixed the official seal
of the Arizona Corporation Commission.
Done at Phoenix, the Capitol, this
5th day of April, 2001, A. D.*



Executive Secretary

BY

[Signature]

3

EXHIBIT "B"

PARCEL I:

All of Sections 15 and 16, Township 16 North, Range 3 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona.

PARCEL II:

The Northeast quarter of Section 17, Township 16 North, Range 3 West of the Gila and Salt River Base and Meridian, lying Northeasterly of Prescott-Simmons Road as it existed on June 10, 1920.

EXCEPT all that portion of Section 17, Township 16 North, Range 3 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

COMMENCING at the point of intersection of the Easterly right of way of the Simmons Road and the North line of said Section 17, being the TRUE POINT OF BEGINNING;

Thence South 89 degrees, 54 minutes East, along the North line of said Section 17, a distance of 514.55 feet;

Thence South 34 degrees, 33 minutes East, parallel with the said Simmons Road, 514.55 feet;

Thence North 89 degrees, 54 minutes West, 514.55 feet to a point on the said Easterly right of way of the Simmons Road;

Thence North 34 degrees, 33 minutes West, 514.55 feet, along the said Easterly right of way of the Simmons Road to the TRUE POINT OF BEGINNING as conveyed in Warranty Deed recorded November 13, 1996 in Book 3310 of Official Records, Page 854.

PARCEL III:

All of Sections 21 and 22, Township 16 North, Range 3 West of the Gila and Salt River Base and Meridian.

EXCEPT THEREFROM all coal, oil, gas and other mineral deposits as reserved in the Patent recorded in Book 25 of Official Records, Page 106.

(Affects Section 22, Township 16 North, Range 3 West)

EXCEPT for that portion lying within the following described Parcels:

PARCEL A:

Section 21 and Section 22 of Township 16 North, Range 3 West of the Gila and Salt River Base and Meridian, County of Yavapai, State of Arizona, described as follows:

BEGINNING at the intersection of the South line of said Section 22 and the Westerly sideline of Williamson Valley Road, 100 feet wide (also known as Prescott-Simmons Highway);

Thence along said Westerly line, North 30 degrees, 31 minutes, 54 seconds West, 945.97 feet;

Thence parallel with the Southerly line of said Section 22, North 88 degrees, 54 minutes, 05 seconds West, 2,215.12 feet to the East line of said Section 21;

Thence parallel with the Southerly line of said Section 21, South 86 degrees, 23 minutes, 15 seconds West 2,826.98 feet;

Thence continuing along said parallel line, South 88 degrees, 48 minutes, 30 seconds, West, 1,170.00 feet;

Thence South 03 degrees, 42 minutes, 29 seconds East, 805.67 feet to the South line of said Section 21;

Thence along said Section line, North 88 degrees, 48 minutes, 30 seconds East, 1,151.53 feet to the Southerly quarter corner of said Section, said corner is monumented with a 3 inch diameter brass disk set in concrete, stamped "WJ Cheek 1961 PE 2398";

Thence continuing along said South line North 86 degrees, 23 minutes, 15 seconds East, 2,804.18 feet to the Southeast corner of said Section 21; said corner is monumented with a 3 inch diameter brass disk set in concrete, stamped "WJ CHEEK 1961 PE 2398";

Thence along the Southerly line of said Section 22, South 88 degrees, 54 minutes, 05 seconds East, 2,684.88 feet to the POINT OF BEGINNING.

PARCEL B

Section 21 and Section 22 described as follows:

COMMENCING at the intersection of the South line of said Section 22 and the Westerly sideline of said Williamson Valley Road;

Thence along said Westerly line, North 30 degrees, 31 minutes, 54 seconds West, 945.97 feet to the POINT OF BEGINNING;

Thence parallel with the southerly line of said Section 22, North 88 degrees, 54 minutes, 05 seconds West, 2,215.12 feet to the East line of said Section 21;

Thence parallel with the southerly of said Section 21, South 86 degrees, 23 minutes, 15 seconds West, 2,826.98 feet;

Thence continuing along said parallel line, South 88 degrees, 48 minutes, 30 seconds West, 1,170 feet;

Thence North 3 degrees, 42 minutes, 29 seconds West, 2,001.74 feet;

Thence North 89 degrees, 13 minutes, 31 seconds East, 5,210.05 feet to the Westerly sideline of Williamson Valley Road;

Thence along said sideline South 30 degrees, 32 minutes, 28 seconds East, 1,1961.02 feet;

Thence South 30 degrees, 31 minutes, 54 seconds East, 254.31 feet to the POINT OF BEGINNING.

PARCEL C:

Any portion lying South of the Northerly right of way line of Nancy Drive as recorded in Book 16 of Maps, Page 63, and East of the Easterly right of way of Williamson Valley Road.

PARCEL IV:

The North half of Section 28, Township 16 North, Range 3 West of the Gila and Salt River Base and Meridian.

EXCEPT for the following described Parcel:

That portion of Section 28, Township 16 North, Range 3 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, described as follows:

BEGINNING at the Northeast corner of said Section 28, said corner is monumented with a 3 inch diameter brass disk set in concrete, stamped "WJ Cheek PE 2398";

Thence, along the North line of said Section 28, South 86 degrees 23 minutes, 15 seconds West, 2,804.18 feet to the North quarter corner of said Section 28, said corner is monumented with a 3 inch diameter brass disk set in concrete, stamped "WJ Cheek PE 2398";

Thence, continuing along said North line of Section 28, South 88 degrees, 48 minutes, 30 seconds West, 1,151.53 feet to a line parallel with the East line of said Section 28;

Thence, along said parallel line, South 03 degrees, 42 minutes, 29 seconds East, 2,614.40 feet to the mid-section line of said Section 28;

Thence, along said mid-section line, North 88 degrees, 26 minutes, 14 seconds East, 3,957.37 feet to the East quarter corner of said Section 28, said corner is monumented with a 3 inch diameter brass disk set in concrete stamped "WJ Cheek PE 2398";

Thence, along the East line of said Section 28, North 03 degrees, 42 minutes, 29 seconds West, 2,707.30 feet to the POINT OF BEGINNING.

PARCEL V:

Section 33 of Township 16 North, Range 3 West of the Gila and Salt River Base and Meridian, County of Yavapai, State of Arizona, lying Northerly and Northwesterly of the following described line:

BEGINNING on the West line of said Section, North 0 degrees, 12 minutes, 47 seconds West, 1,992.80 feet from the Southwest corner of said Section, said corner is monumented with a General Land Office survey monument;

Thence North 89 degrees, 47 minutes, 13 seconds East, 1,051.14 feet to an existing 4 strand barbed wire fence;

Thence generally, along said fence line North 55 degrees, 49 minutes, 36 seconds East, 5,326.57 feet to the East line of said section.

EXCEPT THAT PORTION DESCRIBED AS FOLLOWS:

An Irregular shaped portion of Section 33 of Township 16 North, Range 3 West of the Gila and Salt River Base and Meridian, County of Yavapai, State of Arizona, Described as follows:

Beginning at the Northeast corner of said Section, said corner is monumented with A 3 inch diameter brass disk set in concrete, stamped "WJ Cheek 1961 PE 2398";

Thence, along the North line of said Section, South 89 degrees, 15 minutes, 14 seconds West 2,737.46 feet, to the North quarter corner of said Section, said corner is monumented with A 3 inch diameter brass disk set in concrete, stamped "WJ Cheek 1961 PE 2398";

Thence, continuing along said line, South 89 degrees, 16 minutes, 37 seconds West 1,222.44;

Thence, departing said line, South 3 Degrees, 42 minutes, 29 seconds East, 2,896.81 feet to an existing 4 strand barbed wire fence line;

Thence, generally along said fence line, North 55 degrees 49 minutes 36 seconds East 4.556.29 feet to the East line of said Section;

Thence, along said line, North 0 degrees, 23 minutes, 28 seconds East 382.57 feet to the POINT OF BEGINNING.

EXCEPT from all Parcels I, II and III, any portion lying within Prescott-Simmons Highway right of way.

PARCEL VI:

A portion of Section 11, Township 16 North, Range 3 West of the Gila and Salt River Meridian Yavapai County, Arizona, described as follows:

BEGINNING at the Southwest corner of said Section 11, as depicted on the Survey Plat recorded in Book 53 of Land Surveys, Page 30, records of said Yavapai County;

Thence South 88 degrees, 11 minutes, 06 seconds East along the South line of said Section 11, a distance of 2711.26 feet to the South Quarter corner of said Section 11, as depicted on said Plat.

Thence South 88 degrees, 10 minutes, 26 seconds East (of record South 88 degrees, 13 minutes East), along said South line, a distance of 164.88 feet (of record 165.00 feet) to the Southwest corner of that certain parcel described in Book 2196 of Official Records, Page 746 and Book 3603 of Official Records, Page 873, records of Yavapai County, said corner being monumented with a one-half inch iron bar;

Thence North 00 degrees, 08 minutes, 09 seconds west (of record North 00 degrees, 06 minutes, 45 seconds West), along the West line thereof, a distance of 1,826.06 feet (of record 1826.19 feet) to the Northwest corner of said parcel, being also the Southwest corner of that certain parcel described in Book 2633 of Official Records, Page 474, records of said Yavapai County, said corner being monumented with a one-half inch iron bar;

Thence North 00 degrees, 05 minutes, 23 seconds West (of record North 00 degrees, 06 minutes, 45 seconds West) along the West line of said parcel described in Book 2633 of Official Records, Page 474, a distance of 1,829.86 feet (of record 1837.24 feet) to the Northwest corner thereof, being also the Southwest corner of that certain parcel described in Book 2439 of Official Records, page 517, records of said Yavapai County, said corner being monumented with a one-half inch iron bar;

Thence North 00 degrees, 07 minutes, 54 seconds West (of record North 00 degrees, 07 minutes, 00 seconds West), along the West line of said parcel described in Book 2439 of Official Records, Page 517, a distance of 1,832.47 feet (of record 1,832.48 feet) to the Northwest corner of said parcel, said corner being a point on the North line of said Section 11 and being monumented with a one-half inch iron bar;

Thence North 88 degrees, 56 minutes, 36 seconds West (of record North 88 degrees, 56 minutes, 06 seconds West) along said North line, a distance of 165.03 feet (of record 165.00 feet) to the North quarter corner of said Section 11, as depicted on said Plat.

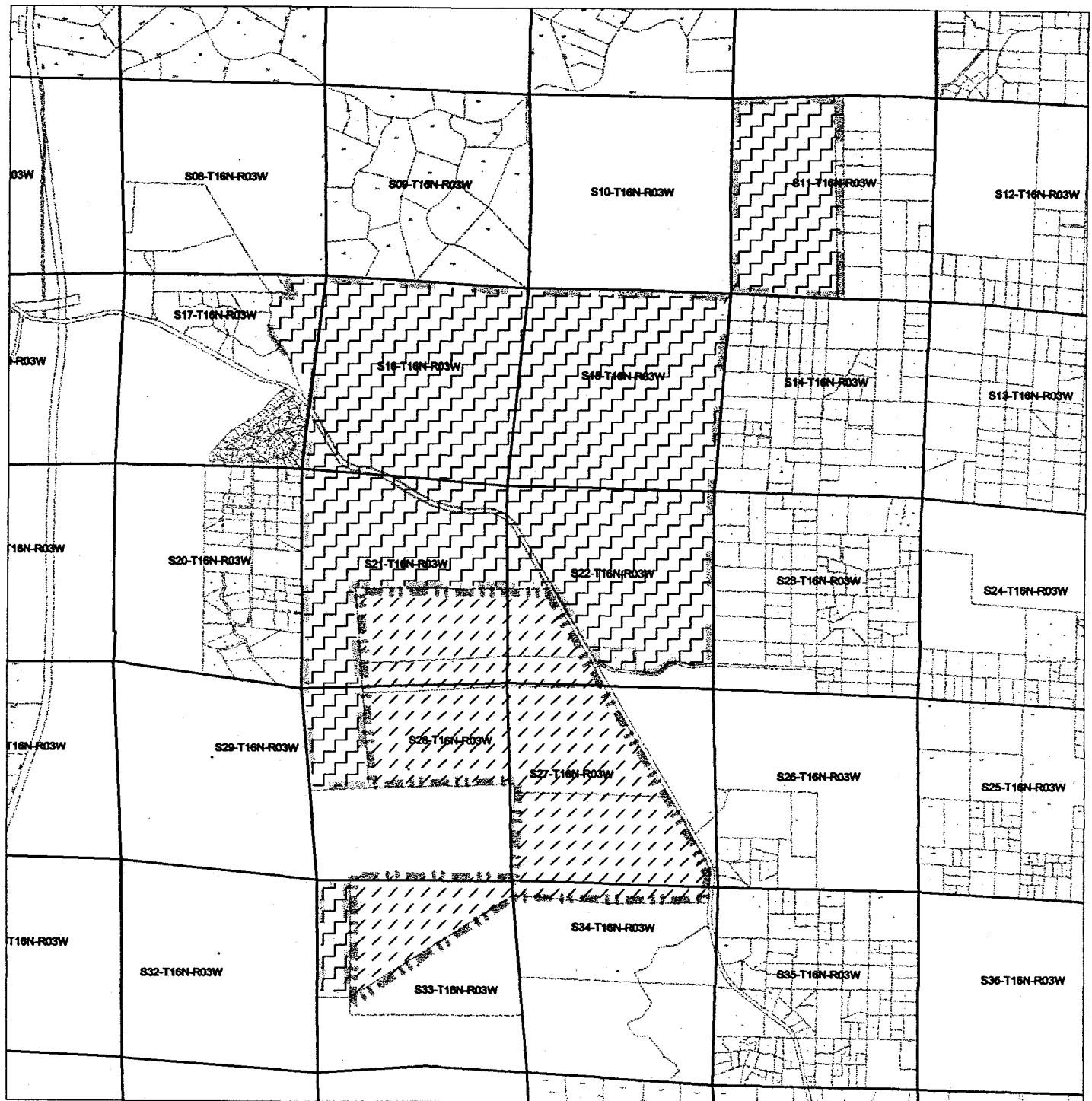
Thence North 88 degrees, 56 minutes, 16 seconds West along said North line, a distance of 2778.19 feet to the Northwest corner of said Section 11, as depicted on said Plat;

Thence South 00 degrees, 50 minutes, 19 seconds, East along the West line of said Section 11, a distance of 2,726.26 feet to the West quarter corner of said Section 11, as depicted on said Plat;

Thence South 00 degrees, 49 minutes, 50 seconds East along said West line, a distance of 2726.10 feet to the POINT OF BEGINNING.

4

ICR WATER USERS ASSOCIATION EXISTING CC&N AND REQUESTED EXPANSION

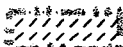


LEGEND

ICR WATER USERS
REQUESTED CC&N EXPANSION



ICR WATER USERS
CC&N AREA



5

Company Name ICR Water Users Assn., Inc.

Test Year Ending Dec. 31, 2000

BALANCE SHEET

		<u>Balance Beginning of Year</u>	<u>Balance Ending of Year</u>
ASSETS			
	<u>Current and Accrued Assets</u>		
131	Cash & Working Funds	<u>3,265</u>	<u>975</u>
132	Temporary Investments	<u> </u>	<u> </u>
141	Customer Accounts Receivables	<u> </u>	<u> </u>
151	Materials & Supplies Inventory	<u> </u>	<u> </u>
174	Other Current & Accrued Assets	<u> </u>	<u> </u>
	Total Current & Accrued Assets	<u>3,265</u>	<u>975</u>
	<u>Fixed Assets</u>		
101	Utility Plant	<u>1,013,731</u>	<u>1,117,537</u>
103	Property Held for Future Use	<u> </u>	<u> </u>
105	Construction Work in Progress	<u> </u>	<u> </u>
108	Accumulated Depreciation	<u>(61,528)</u>	<u>(88,169)</u>
	Total Fixed Assets	<u>952,203</u>	<u>1,029,368</u>
	TOTAL ASSETS	<u>955,468</u>	<u>1,030,343</u>

Company Name ICR Water Users Assn, Inc.

Test Year Ending Dec. 31, 2000

BALANCE SHEET

		Balance Beginning of Year	Balance Ending of Year
LIABILITIES			
	<u>Current Liabilities</u>		
231	Accounts Payable		
232	Notes Payable (Current Portion)	16,428	13,085
235	Customer Security Deposits	2,700	2,450
236	Accrued Taxes	258	440
237	Accrued Interest		
241	Other Current & Accrued Liabilities	267	
	Total Current Liabilities	19,653	15,975
	 Long-Term Debt (Over 12 Months)		
224	Long-Term Notes & Bonds	12,250 **	16,050 **
	<u>Deferred Credits</u>		
252	Advances in Aid of Construction		
255	Accumulated Deferred I.T.C.		
271	Contributions in Aid of Construction		
272	Less: Amortization of Contributions		
282	Accumulated Deferred Income Tax		
	Total Deferred Credits		
	TOTAL LIABILITIES	31,903	32,025
 CAPITAL ACCOUNT			
201	Common Stock	1,013,731	1,027,371
211	Paid in Capital	(90,166)	(29,053)
215	Retained Earnings		
218	Proprietary Capital		
	Total Capital Accounts	923,565	998,318
	TOTAL LIABILITIES AND CAPITAL	955,468	1,030,343

** Balance of \$250.00 service line & meter installation charges, refundable to customers over 10-year period.

Company Name ICR Water Users Assn.
 Test Year Ending December 31, 2000

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

		<u>Prior Year</u>	<u>Test Year</u>
OPERATING REVENUES:			
461	Metered Water Sales	\$ 14,417	\$ 25,415
460	Other Water Sales		
471	Other Operating Revenue	650	625
	Total Operating Revenue	\$ 15,067	\$ 26,040
OPERATING EXPENSES:			
601	Salaries & Wages*	\$	\$
610	Purchased Water**	810	1,772
615	Purchased Pumping Power**		6,983
618	Water Testing		
619	Water Treatment		
620	Repairs & Maintenance***	2,553	3,786
621	Office Supplies & Expense	753	813
630	Outside Services***	8,211	6,181
631	Rate Case Expense		398
640	Rents		
650	Transportation Expense		
655	General Insurance	300	845
658	Health & Life Insurance		
675	Miscellaneous Operating Expense	8,169	60
680	Other Taxes		59
681	Property Tax**	5,124	6,096
403	Depreciation (Computed on Page 11)	23,044	26,641
409	Income Tax	55	50
	Total Operating Expense	\$ 49,019	\$ 53,684
	OPERATING INCOME (LOSS)	\$ (33,952)	\$ (27,644)
OTHER INCOME/EXPENSE:			
419	Interest Income	\$ 248	\$ 250
421	Other Income		38
426	Other Expense	(20)	
427	Interest Expense		(1,697)
	TOTAL OTHER INCOME/EXPENSE	\$ 228	\$ (1,409)
	NET INCOME (LOSS)	\$ (33,724)	\$ (29,053)

- * Provide a breakdown by name, position, salary and duties.
- ** Provide copies of bills for test year expense.
- *** Provide copies of invoices exceeding \$500.

NOTE: Do not include sales tax in revenue or expense.

6

**ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION**

1200 WEST WASHINGTON • PHOENIX, ARIZONA 85007
(602) 542-4251 or 1-800-222-7000

**EXTENSION AGREEMENT
WATER USE DATA SHEET**

Extension Agreement with:
Harvard Simon I, L.L.C.

Company Name:
ICR Water Users Association

Number of Proposed Customers: 1,500

Projected Peak usage (Domestic GPM): 100 GPM

NUMBER OF CUSTOMERS
BY MONTH
FOR THE LAST 12 MONTHS

'00 YEAR '01
PREVIOUS CURRENT

JANUARY
FEBRUARY
MARCH
APRIL
MAY
JUNE
JULY
AUGUST
SEPTEMBER
OCTOBER
NOVEMBER
DECEMBER

69
71
51
53
55
55
57
60
60
61
64
67

TOTAL GALLONS SOLD
PER MONTH
FOR THE LAST 12 MONTHS*

'00 YEAR '01
PREVIOUS CURRENT

JANUARY
FEBRUARY
MARCH
APRIL
MAY
JUNE
JULY
AUGUST
SEPTEMBER
OCTOBER
NOVEMBER
DECEMBER

266,330
246,500
258,270
338,190
624,000
903,640
912,330
623,350
965,000
466,540
303,340
289,540

WELL PUMP CAPACITY (GPM)**

GPM WELL #

GPM WELL #

GPM WELL #

GPM WELL #

GPM WELL #

250 GPM Existing 525 GPM Existing 350 GPM Proposed

*****STORAGE CAPACITY (GALLONS):**

2 Proposed Storage Tanks 1,000,000 gallons each

BOOSTER PUMP CAPACITY (GPM)

GPM BOOSTER

GPM BOOSTER

GPM BOOSTER

GPM BOOSTER

Will additional well capacity be needed as a result of this agreement?

X YES NO

Will new booster stations be necessary to serve the proposed addition?

YES NO

*Reported in 10 gallons

**ADEQ designation

***Includes ground storage

7

THIS IS A CONFORMED COPY OF INSTRUMENT
RECORDED IN BOOK 2995
PAGE 83-868 DATE 4-5-95 TIME 1:30 PM
MARGO W. CARSON, RECORDER
Margo W. Carson DEPUTY

BEFORE THE BOARD OF SUPERVISORS

OF

YAVAPAI COUNTY, ARIZONA

In the Matter of the Application of)
ICR WATER USERS ASSOCIATION,) FRANCHISE
for a water franchise)

WHEREAS, ICR WATER USERS ASSOCIATION filed its application on February 26, 1993, pursuant to A.R.S. §40-283, for a franchise to construct, maintain and operate water lines for a period of fifteen (15) years, along, upon, under and across public highways, roads, alleys and thoroughfares (excepting State Highways) within that portion of Yavapai County, Arizona, described as follows:

THE WEST HALF OF SECTION 11, TOWNSHIP 16 NORTH, RANGE 3 WEST, GILA AND SALT RIVER BASE AND MERIDIAN.

SECTIONS 15, 16, 21, 22, AND 27, TOWNSHIP 16 NORTH, RANGE 3 WEST, GILA AND SALT RIVER BASE AND MERIDIAN.

THE SOUTHWEST QUARTER OF SECTION 26, TOWNSHIP 16 NORTH, RANGE 3 WEST, GILA AND SALT RIVER BASE AND MERIDIAN.

THE EASTERLY 1,500 FEET OF SECTION 17, TOWNSHIP 16 NORTH, RANGE 3 WEST, GILA AND SALT RIVER BASE AND MERIDIAN, LYING NORTHEASTERLY OF THE UNITED STATES DEPARTMENT OF THE INTERIOR BUREAU OF RECLAMATION'S ELECTRIC TRANSMISSION RIGHT OF WAY.

THE NORTHERLY ONE-HALF OF SECTION 28, TOWNSHIP 16 NORTH, RANGE 3 WEST, GILA AND SALT RIVER BASE AND MERIDIAN.

THE NORTHWESTERLY PORTION OF SECTION 33, TOWNSHIP 16 NORTH, RANGE 3 WEST, GILA AND SALT RIVER BASE AND MERIDIAN, THE SOUTHEASTERLY LINE OF SAID PORTION BEING MEASURED

Franchise
ICR WATER USERS ASSOCIATION
Page 2

FROM A POINT ON THE EAST LINE OF SAID SECTION 33, LYING 1,000 FEET SOUTHERLY OF ITS NORTHEAST CORNER TO A POINT ON THE SOUTH LINE OF SAID SECTION 33, LYING 1,000 FEET EASTERLY OF ITS SOUTHWEST CORNER

which area is not within the limits of any incorporated city or town, and,

WHEREAS, this is the time and place set for hearing of said application and due and regular notice was given by publication of notice once a week for three consecutive weeks prior to this time of hearing and proof of publication has been filed herein, and

WHEREAS, all protests to granting such application have been considered, the Board of Supervisors of Yavapai County, Arizona, hereby grants to **ICR WATER USERS ASSOCIATION** the right, privilege, license and franchise to construct, maintain and operate water delivery systems for a period of fifteen (15) years from the date hereof, along, upon, under and across the public highways of Yavapai County, Arizona, within the above described area of Yavapai County, which area is not within the limits of any incorporated city or town, upon the following terms and conditions:

RESTRICTIONS AND LIMITATIONS

1. All rights and privileges hereunder are granted under the express condition that the Board of Supervisors shall have the power at any time to impose such additional and further restrictions and limitations and to make such regulations on such highways, roads, thoroughfares, alleys, and public ways as may be deemed best for the public safety, welfare and convenience. No construction of improvements within a County road right-of-way shall be made without a permit from the Yavapai County Engineer first being obtained.

2. Grantor will notify Grantee if Grantor determines that any lines are located at a depth which interferes with road maintenance. Any such lines shall be buried at a sufficient depth upon receipt of notice. In the event that water lines must be relocated due to road construction or because of inadequate depth, the Grantee shall bear the cost of such relocation.

Franchise
ICR WATER USERS ASSOCIATION
Page 3

3. All rights and privileges hereunder shall be exercised so as to not interfere or conflict with any easements or rights-of-way heretofore granted by said Board of Supervisors and now in force.

4. All equipment and facilities constructed, installed, erected, used and maintained under this franchise shall in all respects be adequate, sufficient and substantial in design and workmanship and shall be so located, erected and maintained so as not to interfere with the free and full use and enjoyment of the public and so not to endanger life or property.

5. All rights and privileges hereunder shall be exercised so as not to interfere or conflict with any easement, either public or private, of whatsoever nature, which has been acquired in or to the proper use of said highways, roads, thoroughfares, alleys and public ways, or any portion thereof.

6. Grantee shall bear all expenses, including damages and compensation to any aggrieved third parties, incurred or expended for the alteration of the course, direction, surface, grade or alignment of any of the said highways, roads, thoroughfares, alleys, and public ways necessarily made by or for Grantee for the purpose of exercising any right under this franchise, and said Grantee shall indemnify and hold harmless the County of Yavapai and the Board of Supervisors thereof from any and all suits, claims, damages and judgments resulting from injuries to persons or property due to the placing, location and maintenance of equipment and facilities upon, in or under the provisions hereof. Grantee shall maintain its equipment and facilities at its own cost and expense and will make all necessary repairs from time to time as the same may be needed without the necessity of notice from Yavapai County.

7. The Grantee shall be required to secure and maintain in force for the duration of the franchise general comprehensive liability insurance insuring against all damages charged to the County or the Grantee resulting from the installation, development, maintenance or expansion of the Grantee's system, as follows:

(a) Five Hundred Thousand Dollars (\$500,000) for bodily injury or death to any one person with an aggregate limit for any one occurrence of One Million Dollars (\$1,000,000) for bodily injury or death.

Franchise
ICR WATER USERS ASSOCIATION
Page 4

(b) Two Hundred Fifty Thousand Dollars (\$250,000) for property damage resulting from any one accident.

(c) Fifty Thousand Dollars (\$50,000) for all other types of liability.

Yavapai County, Arizona, shall be named on the aforesaid policy as a coinsured, or added thereon by endorsement as a named insured. A certificate of insurance as well as a copy of the policy shall be filed with the County Clerk. The certificate shall provide that if the policy shall be cancelled by the insurance company or the Grantee during the term of the policy, ten (10) days written notice prior to the effective date of such cancellation shall be given the Board of Supervisors of Yavapai County, Arizona.

8. This franchise shall not be deemed to be exclusive and the Board of Supervisors hereby expressly reserves the right and power from time to time to grant similar franchises and privileges over the same territory and highways, roads, thoroughfares, alleys, and public ways.

9. Grantee certifies that all water and sewer operations shall be supervised by a duly authorized local operator, whose name, address, and phone number shall be kept in the records of the Board of Supervisors. Grantee shall notify the Clerk of the Board of any operator changes.

10. Grantee shall notify the Clerk of the Board of any assignment of this franchise, including assignee's name, address and phone number.


11. Grantee shall apply for renewal of this franchise not less than sixty (60) days prior to its expiration. In the event required notice, public hearings and official action cannot be taken prior to expiration due to no fault of Grantee, this franchise shall continue until final action by Grantor has been taken.

12. This franchise is granted upon the express condition subsequent that a Certificate of Convenience and Necessity be procured from the Arizona Corporation Commission within six months from the date of granting of this franchise; and if such Certificate is not granted within six months from said date, then this franchise to be void, otherwise to be in full force and effect for the time herein specified.


Franchise
ICR WATER USERS ASSOCIATION
Page 5

Dated: April 3, 1995

ATTEST:



Clerk, Board of Supervisors



Chairman, Board of Supervisors

Franchise
ICR WATER USERS ASSOCIATION
Page 6

ACCEPTANCE OF LICENSE

TO: The Clerk of the Board of Supervisors of Yavapai County

Pursuant to the Order of the Board of Supervisors of Yavapai County dated the 3rd day of April, 1995,

ICR WATER USERS ASSOCIATION

hereby accepts the license to construct and operate a water franchise within the authorized service area and under the terms specified in the license.

Dated this 3rd day of April, 1995.

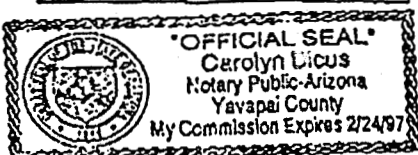
By Shirley McCarroll
Its: President

STATE OF ARIZONA)
) ss.
COUNTY OF)

SUBSCRIBED AND SWORN TO before me by Shirley McCarroll this 3rd day of April, 1995.

Carolyn Licus
Notary Public

My Commission Expires:



BEFORE THE ARIZONA CORPORATION COMMISSION

WILLIAM A. MUNDELL
Chairman

JIM IRVIN
Commissioner

MARC SPITZER
Commissioner

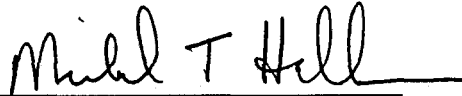
IN THE MATTER OF THE APPLICATION
OF ICR WATER USERS ASSOCIATION,
INC. FOR AN EXTENSION FOR ITS
CERTIFICATE OF CONVENIENCE AND
NECESSITY

Docket No: W-02824A-01-0450

**FIRST AMENDMENT
TO APPLICATION**

On May 31, 2001, ICR Water Users Association, Inc. ("ICR") filed an Application requesting an extension of its existing Certificate of Convenience and Necessity. Through this First Amendment to Application, ICR seeks to revise certain estimates relating to its projected operating expenses and the probable costs of the water system. Attached as Exhibit "1" is a revised estimate of the annual operating expenses for each of the first five years. Also, attached as Exhibit "2" is a revised estimate of the probable construction costs for the water system. ICR respectfully requests that the Commission amend ICR's pending Application to include these revised estimates.

RESPECTFULLY SUBMITTED this 26th day of July, 2001.
LEWIS AND ROCA LLP



Thomas H. Campbell
Michael T. Hallam
40 N. Central Avenue
Phoenix, Arizona 85004
Attorneys ICR Water Users Association, Inc.

Original and ten (10) copies of
the foregoing hand-delivered
this 26th day of July, 2001, to:

ARIZONA CORPORATION COMMISSION
Docket Control
1200 W. Washington Street
Phoenix, Arizona 85007

Copy of the foregoing hand-delivered
this 26th day of July, 2001, to:

Marc E. Stern, Administrative Law Judge
Hearing Division
ARIZONA CORPORATION COMMISSION
1200 W. Washington Street
Phoenix, Arizona 85007

Christopher Kempley, Chief Counsel
Legal Division
ARIZONA CORPORATION COMMISSION
1200 W. Washington Street
Phoenix, Arizona 85007

Jim Fisher
Utilities Division
ARIZONA CORPORATION COMMISSION
1200 W. Washington Street
Phoenix, Arizona 85007

1 Deborah Scott, Director
2 Utilities Division
3 ARIZONA CORPORATION COMMISSION
4 1200 W. Washington Street
5 Phoenix, Arizona 85007

6 Copy of the foregoing mailed this
7 26th day of July, 2001, to:

8 Jay Shapiro
9 Karen Errant
10 FENNEMORE CRAIG
11 3003 N. Central Avenue
12 Suite 2600
13 Phoenix, Arizona 85012-2913
14 *Attorneys for Harvard Simon I, L.L.C.*

15 Jayne Williams
16
17
18
19
20
21
22
23
24
25
26

EXHIBIT 1

EXHIBIT 1
OPERATING EXPENSES

<u>Year</u>	<u>Expense</u>
1st Year	\$71,913
2nd Year	\$124,636
3rd Year	\$190,392
4th Year	\$256,799
5th Year	\$323,388

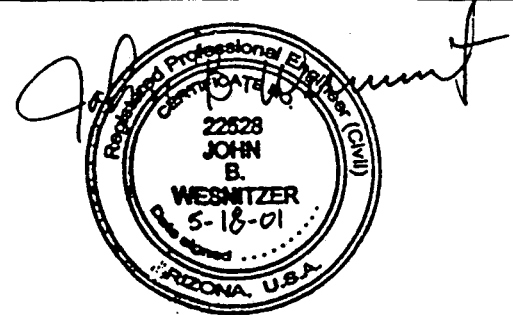
EXHIBIT 2

**ENGINEER'S OPINION OF PROBABLE CONSTRUCTION COST
TALKING ROCK RANCH
Yavapai County, Arizona
WATER COSTS**

Prepared by: Shephard-Wesnitzer, Inc, Job No. 99209

For: Harvard Simon I, LLC

WATER SYSTEM				
12 Inch DIP (From Well to Phase I Distribution)	11,932	l.f.	\$55.00	\$656,260
12 Inch AWWA resilient Seat Gate Valve & Box	16	ea	\$2,275.00	\$36,400
10 Inch PVC Pipe (AWWA C900, Cl. 200)	76,850	l.f.	\$46.00	\$3,535,100
10 Inch AWWA Resilient Seat Gate Valve & Box	149	ea.	\$2,075.00	\$309,175
8 Inch PVC Pipe (AWWA C900 Cl. 200)	100,991	l.f.	\$48.00	\$4,847,568
8 Inch AWWA Resilient Seat Gate Valve & Box	207	ea.	\$1,075.00	\$222,525
6 Inch PVC Pipe (AWWA C900 Cl. 200)	54,460	l.f.	\$42.00	\$2,287,320
6 Inch AWWA Resilient Seat Gate Valve & Box	66		\$875.00	\$57,750
6 Inch Hydrant Assembly	323	ea.	\$2,500.00	\$807,500
1 Inch Water Service	1,660	ea.	\$500.00	\$830,000
Air Release Station	274	ea.	\$1,500.00	\$411,000
Blow-Off	174	ea.	\$500.00	\$87,000
Pump Station (High Pressure Zone)	1	l.s.	\$230,000.00	\$230,000
Booster Pump Station	1	ea.	\$125,000.00	\$125,000
Misc. Fittings @ 5%	1	l.s.	\$637,979.90	\$637,980
300,000 Gallon, Steel Storage Tank	600,000	gal.	\$0.30	\$180,000
WATER SYSTEM - TOTAL				\$15,260,578



**LEWIS
AND
ROCA**
— LLP —
LAWYERS

Phoenix Office
40 North Central Avenue
Phoenix, Arizona 85004-4429
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Telephone (602) 262-5311

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One South Church Avenue
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Suite 600
Las Vegas, Nevada 89109
Facsimile (702) 949-8398
Telephone (702) 949-8200

RECEIVED

Michael T. Hallam
Direct Dial: (602) 262-5340
Direct Fax: (602) 734-3886
Internet: mhallam@lrlaw.com

2001 AUG 31 P 4: 23

AZ CORP COMMISSION

DOCUMENT CONTROL Our File Number 40947-00001

August 31, 2001

Via Hand-Delivery

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

RECEIVED

AUG 31 2001

Re: Second Amendment to Application
ICR Water Users Association, Inc. **ARIZONA CORP COMMISSION**
Docket No. W-02824A-01-0450 **CORPORATIONS DIVISION**

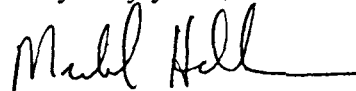
Docket Control:

On July 26, 2001, ICR Water Users Association, Inc. ("ICR") filed its First Amendment to Application revising its projected operating expenses. Recently, ICR discovered an error in those calculations. Attached as Exhibit 1 are revised Projected Statement of Income and revised Projection of Cash Flow for the first five years. Based on these projections, the projected operating expenses for the first five years should be as follows:

Year One	\$73,772
Year Two	\$127,991
Year Three	\$195,983
Year Four	\$264,777
Year Five	\$333,913

ICR respectfully requests that the Commission amend ICR's pending Application to include these revised estimates.

Very truly yours,



Michael T. Hallam

MTH/jw

cc: Swayze McCraine
Karen Errant
Teena Wolfe (via hand-delivery)
Jim Fisher (via hand-delivery)
Marc Stern (via hand-delivery)
Tom Campbell

Exhibit
Schedule 2
Page 1
Witness: Kozoman

(Includes Revision for Purchased Water, and 15% Payback on Advances)

Line No.	Year Ended 2000	Customer or per M Gallon	Year 1	Year 2	Year 3	Year 4	Year 5
1	30,304	From 2000	43,469	93,498	156,198	218,899	281,599
2							
3	1,772	0.15	1,858	3,355	5,590	7,978	10,526
4	6,983	1.132	14,026	24,470	39,391	54,312	69,233
5	3,786	56.51	5,199	10,143	17,207	24,270	31,333
6	845	12.61	1,160	2,264	3,840	5,417	6,993
7							

9	Water Testing / Per Customer (a)	398	5.00	585	1,210	1,835	2,460	3,085
10								

Total Variable Expense	13,784		
Other Expenses	22,828	41,443	67,864
			94,437
			121,170

Depreciation from Schedule 1a Outside Services / Per Customer	26,641	39,934	65,201	91,742	118,283	144,824
	6,181	8,487	16,560	28,091	39,623	51,155

Office Supplies / Per Customer	813	12.13	1,116	2,178	3,695	5,212	6,728
--------------------------------	-----	-------	-------	-------	-------	-------	-------

Taxes other than Income	59	59	59	59
Miscellaneous Exp. / Per Customer	60	80	80	59

Miscellaneous Exp. / Per Customer	59	59	59
Property Taxes Per Sch. 2b	60	161	273
	6,096	1,214	385
			497

Property Taxes Per Sch. 2b	6,096	1,214	2,341	4,210	6,729	9,430
Income Tax	50	50	50	50	50	50
		6,146	1,364	2,391	4,260	9,480

Income Tax	50	1,214	50	4,210	50	6,729	9,430
Total Other Expense	39,900	50,044	50	2,341	50	50	50

Total Other Expense	39,900	50	50	50	50
	50,944	50,944	86,549	128,119	170,340
					212,743

Total Operating Expenses	53,684	73,772	127,991	195,983	264,777	333,913
--------------------------	--------	--------	---------	---------	---------	---------

Operating income (loss)	(23,380)	(30,303)	(34,494)	(39,785)	(45,878)	(52,314)
Interest Income (Expense)	210	(1,409)	254	1,100	1,100	1,100

Interest Income (Expense)	(1,409)	(36,503)	(39,785)	(45,878)	(52,314)
Net income	(24,789)	210	954	2,137	3,507
		(30,093)	(33,540)	(37,248)	(40,750)
					5,147

Net income	(24,789)	210	2,137	3,507	5,147
(1) Purchased Water at \$0.15/1,000 gallons, with estimated inflation factor of 3.50% per year thereafter	(30,093)	(33,540)	(37,647)	(42,371)	(47,166)

(1) Purchased Water at \$0.15/1,000 gallons, with estimated inflation factor of 3.50% per year thereafter.	(55,340)	(42,371)	(47,166)
(a) Per WJAA New Estimate for ADEQ Testing		(37,041)	

(a) Per WUAA New Estimate for ADEQ Testing

ICR Water Users Association

Projection of Cash Flow

The Five Years Ended

(Includes Revision for Purchased Water, and 15% Payback on Advances)

Exhibit
Schedule 3
Page 1

Line No.		<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
1	<u>Cash from Operations</u>					
2	Beginning Cash Balance	975	11,011	43,485	78,654	121,740
3						
4	Income from Operations	(30,303)	(34,494)	(39,785)	(45,878)	(52,314)
5	Add Depreciation expense	39,934	65,201	91,742	118,283	144,824
6						
7	Total cash From Operations	10,606	41,718	95,442	151,059	214,251
8						
9	<u>Cash from Financing</u>					
10	Security Deposits	\$ 4,460	\$ 11,150	\$ 11,150	\$ 11,150	\$ 11,150
11	Long-Term Debt					
12	Advances in Aid of Construction	947,159	1,030,398	1,030,398	1,030,398	1,030,398
13	Contribution in Aid of Construction					
14	Customer Meter Deposits	12,500	31,250	31,250	31,250	31,250
15						
16	Total cash from Financing	964,119	1,072,799	1,072,799	1,072,799	1,072,799
17						
18	Total Cash Sources	974,726	1,114,517	1,168,240	1,223,857	1,287,049
19						
20	<u>Uses of Cash:</u>					
21	Long-term debt Repayment					
22	Advances in Aid, Repayments at 15%		2,069	8,933	18,338	27,743
23	Meter Deposit Refunds	1,605	2,855	7,855	10,980	14,105
24	Security Deposit Repayments	2,450	4,460	11,150	11,150	11,150
25	Capital Improvements - Plant	959,659	1,061,648	1,061,648	1,061,648	1,061,648
26	Total Cash Uses	963,714	1,071,032	1,089,587	1,102,117	1,114,647
27						
28	Ending Cash Balance	11,011	43,485	78,654	121,740	172,402
29						
30	Ending Cash Balance	11,011	43,485	78,654	121,740	172,402
31	Interest Income: Assuming Earning Equal to Interest Income on Average Cash Balance of:					
32	Average Cash Balance	5,993	27,248	61,069	100,197	147,071
33	Estimated Interest Earned	210	954	2,137	3,507	5,147
34						

SUMMARY OF CASE

UTILITIES DIVISION

DOCKET NO. W-002824A-01-0450

TYPE OF CASE CC&N Extension

APPLICANT ICR Water Users Association, Inc.

RESPONDENT

COMPLAINANT

APPLICATION SUBMITTED BY

PLACE Phoenix DATE September 6, 2001

BEFORE: Chairman

Commissioner

Commissioner

Administrative Law Judge Marc E. Stern

APPEARANCES: (For Applicants) LEWIS AND ROCA, Mr. Michael T. Hallam

APPEARANCES: (In Opposition) Harvard Simon I, L.L.C.: FENNEMORE CRAIG, Ms. Karen Errant

APPEARANCES: (Staff) Ms. Janice M. Alward, Assistant Chief Counsel, Legal Division

DISPOSITION OF CASE Under advisement.

Official Reporter Carolyn T. Sullivan

COMMISSION REMARKS: